Introduction

Society is a group of people related to each other through persistent relations, or a large social grouping sharing the same geographical or virtual territory, subject to the same political authority and dominant cultural expectations (Briggs, 2000). A human society may be characterized by patterns of relationships between individuals who share distinctive values, culture and institutions. The sum total of such relationships and features taken together among its constituent members may constitute a society. In the history of man, it is generally found that a bigger society, in most cases evinces stratification and dominance patterns in subgroups. As long as the members in a group of individuals co-operate and help each other, the individuals can benefit from each others’ efforts which are not possible otherwise on an individual basis. In a dominant and larger society, it can also consist of like-minded people governed by their own norms and values. This can be referred to as a sub-culture. In a larger context, a society may be exemplified as a social, an economic or a formation related with any productive profession or occupation made up of a variety of individual units. Members of a society may be from different ethnic groups. A society can consist of only a particular ethnic group, such as the Saxons; a nation state like Bhutan; or a broader cultural group, say, a western society. The word, society may also be referred to voluntarily organised bodies of people for cultural, religious, scientific, patriotic, political or some similar purposes.
2.1 Defining Society

In the simplest terms, a society may be defined as a group of people who share a particular territory and a common culture. Further, sociologist argued to add to the definition that society is also the social structure and interactions of that group of people. Social structure is the relatively enduring patterns of behaviour and relationships within a society (Robert, 1938). Hence, a society is not only a group of people with a particular culture but the patterns of relationships between the people and the institutions within that group. The civil society is the platform outside one’s family, the state and the business market where individuals mingle or associate to advance their private interest. Dictionary.com’s 21st Century Lexicon defines civil society as the aggregate of non-governmental organizations and institutions that manifest interests and will of citizens or individuals and organizations in a society, which are independent of the government. Sometimes the term is used in the more general sense of ”the elements such as freedom of speech, an independent judiciary, etc., that makes up a democratic society” (Collin’s English Dictionary).

2.2 The concepts of Society

Society in Anthropology

Societies, the human societies are more often, found organised with respect to their primary means of subsistence and survival. Social scientists have identified hunting-gathering societies, pastoral nomadic societies, simple farming societies, and intensive farming societies.

Society In political science

Societies may also be organized according to their political structure. In the order of size and complexity, there are bands, tribes, chiefdoms, and state societies. These structures may have varying degrees of political power, depending on the
historical, cultural and geographical environments that these societies must contend with. Different societies compete with each other to keep ahead of the other. The society who is unable to defend itself or unable to offer an effective resistance to the competing society, will have to get submerged into the other.

**Society In sociology**

The social group enables its members to benefit in ways that would not otherwise be possible on an individual basis. Both individual and social (common) goals can thus be distinguished and considered. Based on their levels of technology, economy and communication, sociologists differentiated societies in the following ways:

1. Hunters and gatherers societies,
2. Agricultural societies,
3. Advance Agricultural societies
4. Industrial societies and
5. Professional or Special like maritime societies.

Some societies advanced towards more complex forms of organization. The cultural evolution has a great impact on patterns of communities. Hunter-gatherer tribes became agricultural societies. Villages grew to become towns and cities. Collectively villages, towns turned into states (*Lenski, 1995*). A society based on online identity or virtual society is also emerged.

### 2.3 Definition of Business

Business, in the traditional sense, is a particular trade or activity that a person is engaged in. A business, also known as an enterprise or a firm, is an organization involved in the trade of goods, services, or both to consumers (*Sheffrin, 2003*). Business which provide goods and services to the customers for a profit are common
in capitalist economies and they are privately owned. In the present world, business, also termed as a company is mostly owned by multiple numbers of people known as shareholders.

The word “business” comes from the state of being ‘busy’. It implies an activity which is commercially viable and profitable engagement.

2.4 Corporations

The origin of the word ‘corporation’ is considered the Latin word ‘corpus’ which means ‘body’. Though, corporations are not natural persons, the law has given corporations to have rights and responsibilities like the natural human beings. Hence, corporations can be held responsible for human right violations as well as they can exercise or claim for their own human rights against human beings and the state. Dissolution of corporations can be effected by an order of the court, or voluntary action of the owners that is the shareholders. Although corporations are not considered as the living entities like human beings, they can be convicted of criminal offenses such as money laundering, fraud, cheating and other malpractices. Corporates may become insolvent which may result corporate failure and under a court order, it may result in the dissolution and liquidation of the firm. In most cases, it results in restructuring of the corporate holdings

Modern Corporations

Due to the Sherman Act, New Jersey (1890), companies have become larger corporations with mergers and so on. The modern era began with the influence of the well-known Santa Clara Country Vs Southern Pacific Railroad (1886).

After World War I, many countries experienced economic booms due to the proliferation of enabling laws across the globe. Beginning since 1980’s many
countries preferred privatisation by selling state owned services and enterprises to private corporations. Another development was the emergence of the conglomerates resulted by the purchase of smaller firms by the larger corporations in order to expand their industrial base. In Japan, a horizontal conglomerate model have emerged which was fondly accepted and followed by other countries also.

**Global Corporations**

Due the idea of globalisation and liberalisation, corporations do not face the hurdles of legal procedures to expand business overseas. Mergers and acquisitions took place around the world to form multiple branches and sub-groupings. Growing beyond national boundaries, corporations have become transnational or multinational corporations to attain remarkable positions of influence and enormous power. This is the reason why the discussions of social responsibility of corporations are so important in the present day world (Sugden, 2000).

**2.5 Interactions of Business and Society**

Interaction between the business and society is inevitable for the business to survive and for the society, to get benefits from the operation of the business. Broadly, there are two kinds of interactions between the business and the society.

A business’s primary involvement with society includes all the direct relationships necessary for it to perform its major mission of producing goods and services for society and their distribution.

**Primary Interaction between Society and Business**

The primary interaction between society and a business is in such a way which is very essential in nature. Capital is very essential for starting a business which is provided by the investors. This capital is employed by the company to buy raw
materials from the suppliers and it is processed with the help of the employees who sells their labour to the company. The figure (Fig. 2.1) illustrates these essential interactions between the business and the members of the society.

**Fig.2.1 Business’s Primary Interactions with Society**

**Sources:** Adapted from Davis (1971), Business and Society p.8, New York, USA.

**Secondary Interaction between Society and Business**
Fig. 2.2 Business’s Secondary Interactions with Society

Sources: Adopted from Davis (1971), Business and Society p.9, New York, USA

A business’s secondary involvement with society grows out of impacts caused by the company’s primary business function.
Interactive model of business and society

![Diagram: Interactive Model of Business and Society Relations]

**Fig. 2.3** An Interactive Model of Business and Society Relations

**Sources:** Adapted from Davis (1971), Business and Society p.11, New York, USA

The interactive model of business and society spells of the fundamental role of business in society. It recognises the corporate decision makers need to take actions that protect and improve the welfare of the society as a whole along with their own interests (Davis, 1971).

**Table: Major Social challenges to business**

1. Achieving ecological balance
2. The human element in work
3. Improving productivity
4. Global pressures, demands, and needs
5. Designing social partnerships
Relationship of major social challenges, Interactive model of business and society, corporate stakeholders and business’s social responsibility is illustrated in Fig. 2.4.

![Diagram showing relationship between major social challenges, interactive model of business and society, corporate stakeholders, and business's social responsibility.](image_url)

**Fig. 2.4 Relation of Major Social Challenges, The Interactive Model of Business and Society, Corporate Stakeholders and Business’s Social Responsibility**

**Sources:** Adapted from Davis (1971), Business and Society p.21, New York, USA

Our society’s pluralistic nature makes business/society relationships more interesting and novel than those in some other societies. Pluralism is a condition in
which there is diffusion of power among the society’s many groups and organizations. Joseph W. McGuire’s straightforward definition of a pluralistic society is useful for our purposes: “A pluralistic society is one in which there is wide decentralization and diversity of power concentration.” The explications of the terms in this definition are decentralization and diversity. In other words, power is dispersed. Power is not in the hands of any single institution (such as business, government, labour, or the military) or a small number of groups. Many years ago, in The Federalist Papers, James Madison speculated that pluralism was a virtuous scheme. He correctly anticipated the rise of numerous organizations in our society as a consequence of it. Some of the virtues of a pluralistic society are summarized in Table 2.1.

Knowing that society is composed of so many different semi-autonomous and autonomous groups, one might find reason to question whether we can realistically speak of society in a broad sense, that the meaning has generally agreed-upon. Nevertheless, we do speak in such terms, knowing that, unless we specify a particular societal subgroup or subsystem, we are referring to all those persons, groups, and institutions that constitute our society. This situation raises an important point: When we speak of business and society relationships, we usually, refer either to particular segments or subgroups of society (consumerist, women, minorities, environmentalists, and youth) or to business and some system in our society (politics, law, custom, religion, economics). These groups of people or systems may also be referred to in an institutional form (business and the courts, business and Common Cause, business and the church, business and the AFL-CIO, business and the Federal Trade Commission). Figures 2.1& 2.2 displays in pictorial form the points of interface between business and some of these multiple publics, or stakeholders, with which business has social relationships.
Table 2.1

Pluralistic Society

<table>
<thead>
<tr>
<th>The Virtues of a Pluralistic Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>A pluralistic society prevents power from being concentrated in the hands of a few.</td>
</tr>
<tr>
<td>A pluralistic society maximizes freedom of expression and action and strikes a balance between monism (social organization into one institution) on the one hand and anarchy (social organization into an infinite number of persons) on the other.</td>
</tr>
<tr>
<td>In a pluralistic society, the allegiance of individuals to groups is dispersed.</td>
</tr>
<tr>
<td>Pluralism creates a wildly diversified set of loyalties to many organizations and minimizes the danger that a leader of any one organization will be left uncontrolled.</td>
</tr>
<tr>
<td>Pluralism provides a built-in set of checks and balances, in that groups can exert power over one another with no single organization (business, government) dominating and becoming over influential.</td>
</tr>
</tbody>
</table>


Business environment consists of the community it is operating in, the government under whose legal provisions the business is established and operates. The business enterprise takes the manpower and skills from its employees and produce goods or services. The consumers buy the products and services which is the aim and goal of the business. Of course, the owners are the investors of the business and the managers are channelizing the financial resources provided by them to give the best results. In the process, various secondary issues and parties also needs to be attended to like employee unions, consumer issues, environmentalist demands, rival competitors and so on. Thus, these above mentioned factors constitute a truly complex business environment. It is illustrated below in the Fig.2.5:
2.6 Ethics and Business

Business is conducted within a set of rules to get the maximum benefits. Rules may be written or unwritten but the businessman tries to stick to the best possible way of conducting his business. Examples may be, to treat the customers well, not to cheat them and do fair business. Manners and behaviours which are considered desirable from a good human being are also expected from a business. Everyone does not like to be cheated or to be treated unfairly. Likewise, good dealing is expected from a business without fraud and hidden intentions or agenda. Business ethics is primarily the application of ethics in business. It is the application of general ethical rules to business behaviour. ‘Being Good is good Business’ asserts famous entrepreneur and activist Anita Roddick, (2007). Business ethics studies the moral standards of business policies, institutions and how they are applied to business. It is a specialized study of moral right or wrong. Importance of ethics in business and management is gaining momentum every day. Its relevance in business can be discussed in the following way:
I. Meaning and definition of Ethics

II. Ethics in an organization

III. Ethical choices encountered in business

2.6.1 Meaning and Definition of Ethics

The origin of the word “Ethics” is the Greek word ‘Ethikos’ pertains to character. Ethics is thus said to be the science of conduct. It deals with certain standard of human conduct and morals. The study of ethics involves systematizing and discovering the concepts of right and wrong behaviour. Ethics is a body of moral principles or set of values about what is true or false, fair or unfair, right or wrong, proper or improper in the human conduct. Simply said, what is right is ethical and what is wrong is unethical.

2.7 Business Ethics

The word ethics and values can be used interchangeably according to the situation. Business ethics is essential in all aspects and departments of the firm. During the course of its operations and its links with the community, application of ethics is of paramount importance. In the corporate life, it is not a separate stranger distinct from corporate affairs. Values are described as the set of beliefs applicable to the individual, group or organization and are the basis for action. Values are based on the general thinking of a particular society while ethics are a set of standardised actions, co-created out of beliefs, attitudes and values. Ethics is studied as a branch of knowledge concerned with moral principles that govern or influence human conduct. It is conceptually activity-based. Ethics is specific to the situation, context, person or given culture. To distinguish between managerial ethics and business ethics, the former is a micro view and is an examination of individual level behaviour while the latter is a macro view and examines organizational behaviour. Most of the ethical or
unethical behaviours are taken at the individual level due to personal sensitivities than at the committee or board level. Therefore, micro level behaviour is very important than the macro level as the former greatly influence the later. Corporate Social Responsibility and Ethics are also essentially very closely related to each other. It is because of the reason that the concept of ethics in the organisation influences the company’s initiatives towards CSR.

2.7.1 Defining Business Ethics

Business ethics can be defined as written, unwritten and already commonly understood codes of principles and values, which govern decisions and actions within a business organisation. The organization’s missions and visions set standards for determining the difference between good or bad as well as right or wrong decisions in the decision-making behaviour. Understanding the definition of business ethics enables one to know the impact of one’s decision whether it is ethically right or wrong. Business ethics can be viewed from two different angles- internally as well as externally. Internally, it can be used to examine the actions of individuals within the organisation itself while externally, decisions and actions of the organisation impacting the organisation as a whole. Broadly, two viewpoints can be taken to study the definition of business ethics namely the shareholder viewpoint and the stakeholder viewpoint.

Shareholder Viewpoint

While making ethical decisions from the shareholder viewpoint, the emphasis is given on maximising returns on the investments of the shareholders. This approach is classical and decisions which bring the most return on shareholder’s investments are considered the most ethical.
Stakeholder Viewpoint

The term stakeholder includes employees, suppliers, customers, competitors, government agencies, the news media, community residents and all the parties affected and are affected by the decisions of the business organisation. The meaning of the concept reveals that business organisations are required to give emphasis on the interest of the multiple stakeholders rather than those having direct economic impact to the business. Hence, from the stakeholder viewpoint, ethical decision making means taking decisions for the common good. Realisation all over the world is growing day by day that ethics is vitally important for any organisation and for the progress of any society. Ultimately, Ethics and profit shall go together in the long run. If the organisation wants to achieve competitive advantage, it should take along ethics into business. According to John Donaldson Business ethics can be understood as a comprehensive study of corporate policies and not the study of an isolated topic, and it will act within business or for non-business reasons.

2.7.2 Significance of Business Ethics in an organisation

A business needs loyal customers to succeed in the market. The customers are the members in the society in which the business operates. A society has its own traditions and values and these may be different from society to society. Whatever may be the case, a business should try to earn the social sanctions of the business. This will help the business to find the means for its survival, growth and also help it to excel in the particular society it operates. Thomas Donaldson is of the view that there is a growing realization all over the world that ethics is vitally important for any business and for the progress of any society. A society will more interest in the activities of an organisation which is growing bigger. This is due to the anticipated greater impact it may give to the society as it grow larger and larger. In this situation,
ethics and good business ethics are the only means which will provide economy and security to the business as well as to the society. Following good ethics may lead to short term decrease in the company profits but in the long run, it will prove more profitable as the company will earn goodwill from the society. The company which earn social sanction is sure to succeed in the long run. Not only this, the company will have a disciplined staff due to good ethical values which will contribute to future growth and development. Ethical values will certainly stop frequent employee turnovers also. This will save the business from the loss of highly skilled and experienced staff from time to time. In totality, good ethical values and business ethics contribute to good relationship between the business and society providing good synergy. The social responsibility of business involves ethics which must be reflected in the philosophy of a business organization. The biggest corporation, like the humblest private citizen, must be held to strict compliance with the will of the people (Roosevelt, 1900). The aims and objectives of an organisation should clearly reflect ethics to be followed by the business. Ethical policies and programmes are to be laid out clearly by the top management and also take up steps to ensure compliance from the concerned staff. Defaulters are to be reminded, warned and reinforced discipline in the conduct of the day to day business of the organisation. Top management must forecast, plan, formulate and ensure good ethical behaviour in the organisation.

2.7.3 Building an ethical infrastructure

The ingredients for building an ethical infrastructure in an organization are as follows:

1. Top Management’s Attitude

As the top executives are guides and path showers, when an ethical initiation is taken by them, it would be easy to spread it downwards. Ethical behaviour should
be fully supported by the top management. They must set good examples in front of the employees from their own level if commitment is desired from the employees to ethics.

2. Establishment of an Ethics committee

Organisations need to establish separate ethics committees whose function is to develop and execution of the code of ethics. According to Koontz and Weihrich, (2001), functions of this ethics committee are:

1. Communicating the codes to all members of the organization.
2. Dealing with problem areas.
3. Holding regular meetings to discuss ethical issues.
4. Checking of the possible violations of the code.
5. Enforcing the codes.
6. Rewarding compliance and punishing violation.
7. Reporting activities of the committee to the board of directors.

3. Formulating Code of Ethics

To establish and to encourage organisational ethical conduct, formal codes of ethics for its members must be framed. A list of code of ethics is given below:

i. Commendable good attendance
ii. Avoidance of abusive language
iii. Careful maintenance of personal finance well
iv. Exemplary honesty, courtesy, fairness and respect
v. Correct product information on advertisements
vi. Follow all legal and latest accounting rules
vii. Conduct business with legal compliance

According to Jenkins, (2001) A good corporate code of values and conduct should include certain managerial and employee guidelines for making ethical decisions.
4. Good communication of Ethics

Ethics, if not communicated to the staff and employees well, is as good as no ethics. The best ethics program in the world is the one which is communicated well and reminded frequently. The supervisors can hold interactive sessions with employees to discuss ethical concerns. Therefore, a well designed communication network taking into account the suitability of the business concerned, is required to institutionalise an ethics programme. Purcell and Weber, (1979) suggest that this can be accomplished in 3 different ways:

i. By establishing appropriate company policy and ethical rules
ii. By using a formally appointed ethics committee
iii. By teaching ethics in management development programs.

5. Delivery of Ethics Training

There is a great need for ethics training because only communicating well is not sufficient to convert values into practice (Paliwal, 2006). Sometimes employee may think that they know each and every aspect about ethics and ethical decision making but they might be unaware of the ideas of the actual evaluation process, implementation and consequences of the unethical decision making. Therefore, ethical training program are a must for every employee.

6. Appointing Ethics Officer

Appointing an ethics officer is important for the implementation of an ethics programme. He will act as a guide for developing an ethical code of conduct as well as ethical decision making. He works in close co-ordination with the employees of the organisation. These employees can directly report to the ethics officer if they find any wrongdoing in the course of business operations.
7. Receiving Feedback and Enforcement

It is important to get take employee feedback on the ethics implementation in the organisation. Without their involvement, it is not possible to get the correct implementation of a good ethical program consistently. To motivate the feedback from them, the following points may be taken into account:

a) A reward system for the employees who have exhibited good ethical character
b) A built-in incentives programme
c) Providing a well-designed checklist.

8. Self Investigation and Review

Internal audits are the tools for self investigation and it should establish whether communication about ethical codes of conduct is functioning well or not (Paliwal, 2006). There should be a detailed investigation whether potential violations of law or regulation had taken place or not. The audit committee should include experts from executives of the organization or professionals from outside consultants may be hired. To check the effectiveness of their programmes, organisations are taking the study results from various research agencies for unbiased study feedbacks.

2.8 Corporate Social Responsibility

2.8.1 Introduction

It is a known fact that human being by their very nature and by virtue of their religious teachings, are philanthropic. In Shastras, the ultimate aim of creating wealth is said to be giving and enjoying by giving ‘Daan’. The concept, trusteeship of wealth was also originated in India. It was about after one year from the date that the tsunami had struck a large part of the world including India when ‘The Times of India’ brought out a special edition on 24 December 2005, for which the then President of India, Dr A.P.J. Abdul Kalam was the guest editor. While discussing the
theme of the edition with the team working on the project, the President referred to
the natural quality of Indians being philanthropic and helping at all times and in all
circumstances. They rushed to the affected areas with food, clothes and medicines.
This is in sharp contrast to what happened recently when riots broke out in another
part of the world in the wake of a natural calamity. Perhaps not everything is right
with India, but it has some positive civilisation values. This is one of them, our ability
to come to the help of those afflicted. The feelings of the Honourable President,
Kalam, fully and truly reflect the mind-set of perhaps each and every Indian citizen
including corporate citizens. We perform a number of activities in our day-to-day life.
For instance, we clean our mouth, care for our parents, respect our elders, obey traffic
rules, observe social norms and traditions etc. Why do we perform all these activities?
It is because we live in a family as well as in a society. The members of your family
as well as the society want us to follow all of them. They do several things for us and
expect something from us, which we also are expected to do. The expectations of the
family or society become our obligations, which we need to fulfil. For example, we
need taking care of your parents or children, keep the surrounding clean by not
throwing garbage here and there, etc. There are also obligations towards oneself,
which we need to fulfil. For example, takings meals in time go to bed in time at night,
to do regular exercises in the morning are needed to keep one fit and taking care of
one’s health. Now we fulfil all these obligations by performing certain activities,
which are called our responsibilities. Any responsibility we have, particularly towards
members of the society with whom we interact or towards the society in general, is
called our social responsibility. This is true in case of business also. As we know,
every business operates within a society. It uses the resources of the society and
depends on the society for its functioning. This creates an obligation on the part of
business to look after the welfare of society. So all the activities of the business
should be such that they will not harm, rather they will protect and contribute to the interests of the society. Social responsibility of business refers to all such duties and obligations of business directed towards the welfare of society. These duties can be a part of the routine functions of carrying on business activity or they may be an additional function of carrying out welfare activity. Let us take an example. A drug-manufacturing firm undertakes extensive research and thus, produces drugs which are qualitatively superior to the similar drugs of its kind. It also provides scholarships to the family members of its employees for studying abroad. We find, in both the cases, the drug-manufacturing firm is carrying out its social responsibility. In case of the former, it is a part of its routine business function, while in the latter case it is a welfare function.

2.8.2 The Concept

We all know very clearly that people engage in business to earn profit. However, earning profit alone is not the sole function of business (Caroll, 1999). It performs a number of social functions, as it is a part of the society. It takes care of those who are instrumental in securing its existence and survival like- the owners, investors, employees, consumers and government in particular and the society and community in general. So, every business must contribute in some way or the other for their benefit. For example, every business must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to its employees, make available quality products at reasonable price to its consumers, maintain the cleanliness of environment properly etc. However, while doing so, two things need to be noted to view it as social responsibility of business. First, any such activity is not charity. It means that if any business donates some amount of money to any hospital or temple or school or college etc., it is not to be considered as discharge
of social responsibility because charity does not imply fulfilling responsibility. Secondly, any such activity should not be such that it is good for somebody and bad for others. Suppose a businessman makes a lot of money by smuggling or by cheating customers, and then runs a hospital to treat poor patients at low prices. His actions cannot be socially justified. Social responsibility implies that a businessman should not do anything harmful to the society in course of his business. Thus, the concept of social responsibility discourages businessmen from adopting unfair means like black-marketing, hoarding, adulteration, tax evasion and cheating customers etc. to earn profit. Rather, it encourages them to earn profit through judicious management of the available resources, by providing better working and living conditions to its employees, providing better products, after sales-service, etc. to its customers and simultaneously to control pollution and conserve natural resources.

The concept of Social Responsibility of business had changed and evolved with the changing times. The general idea of the phrase, ‘Corporate Social Responsibility’ is that business has an obligation to society, which extends beyond its narrow obligation of serving its owners. This has been discussed throughout the twentieth century, but it was Howard R. Bowen through his book named ‘Social Responsibilities of Businessman’ (1953), which formed the basis of modern deliberations on the subject. After this, the topic of ‘Corporate Social Responsibility’ has been given attention extensively throughout the globe. Bowen reasoned that there would be general, social and economic benefits that would accrue to society, if business includes its broader social goals in its decision making.

2.8.3 The reasons of why should business be socially responsible

Fig.2.7 indicates that there is a large gap between the business’s actual performance and society’s expectations from the business. Moreover, business uses a
large chunk of the society’s natural resources. Besides, due to the business operations, many disturbances in the society are also created such as congestion in the locality, various forms of pollutions including noise, air, water and environmental pollutions. As a result, business needs to give back to the society which, in return, earns goodwill from the members of the society.

**Societies Expectation Vs Business’s Actual Social Performance**

![Graph showing Societies Expectation Vs Business’s Actual Social Performance](image)

**Fig. 2.6** Societies Expectation Vs Business’s Actual Social Performance

**Sources:** Adopted from Caroll (2006), Business and Society, p. 12

Studies have suggested that despite the internal factors discussed above, organisations have to react positively to CSR, responding to external pressures rather than proactively defining CSR (Vogel, 2005). For instance, in the current social and business environment, there is a growing public demand for business leaders to
include social issues as part of their strategies (Lantos, 2001). Managers are frequently subjected to pressures from various stakeholder groups to allocate financial resources for CSR activities. These pressures come from stakeholders such as employees, consumers, communities and environmental groups (Williams and Siegel, 2001) which are discussed below:

(i) Employee expectations and demands

The pressures from employees cited by Musah, (2008) include the increasing public awareness of certain employee rights, including non-discrimination in hiring, firing and promotion. Matten and Moon, (2008) stated that CSR has clearly addressed issues such as fair wages, working hours and conditions, health care, redundancy and protection against unfair dismissal. In addition, developed countries such as the UK and Germany are more concerned about their employees’ health or social security and contributing to their National Health Services through taxation. The analysis by Aguilera et al., (2007) highlighted that how employees might push corporations to engage in CSR initiatives, suggest that the perception of CSR shapes employee attitudes and behaviours towards companies. In fact, the perceived fairness of any working environment does have an impact on employee wellbeing i.e., job satisfaction, stress and emotion in addition to other organisational considerations such as absenteeism and employee commitment (Colquitt, 2001). When an organisation is seen to be acting fairly, as a result employees are happy and hardworking. When they are happy, it is not difficult to persuade employees to participate as volunteers for the firm’s CSR activities. This is called employee voluntarism. The Centre for Corporate Citizenship at Boston College, 1999 concluded that employee voluntarism provides benefits in three ways, firstly for the companies, secondly for the employees and finally the community. Here, it is important to discuss the need for organisations to
work in a more socially responsible manner to avoid strikes or high rates of labour turnover, to improve labour relations and to retain their consumer markets. Collier and Esteban, (2007), in their explanation of the role of CSR in improving employee motivation and commitment, stated the effective delivery of corporate social and environmental responsibility initiatives is dependent on employee responsiveness. For employees to deliver on CSR requirements, they have to be motivated and committed to surmounting the challenges and attaining the goals of responsible corporate behaviour. Motivation comes first; commitment reinforces, the value is made permanent and proactive.

(ii) Customer Demands

Similarly, consumer and customer pressures include the expectation that companies will produce safe products and provide more consumer information (Musah, 2008). Organisations are needed to be aware of these consumer demands and aspirations. Acting on them rapidly as a part of their business strategy, for example, after sales services, and customer protection services will place the company in an advantageous position. Generally, customers expect a warranty period for products they purchase, value adding services and ability to return any item purchased if it does not meet their expectations (Maignan et al., 2005). If the organisation is unable to consider its customers’ needs, it is bound to lose its market share. Therefore, customer pressures affect an organisation’s market risk. The academic and managerial literature is able to provide little guidance to help marketers integrate various initiatives into a sound program that can cover a wide range of corporate responsibilities. Smith and Langford, (2009), pointed out that the possible business benefits CSR entails, specifically the commercial benefits resulting from the impact of CSR on consumer behaviour and attitudes’. However, if companies ignore their
consumers’ needs, boycotts may result and become a major problem. This is one expression of consumer pressure. Smith, (2003) explained that boycotts may be only the most manifest example of a broader phenomenon of consumer behaviour influenced by perceived CSR lapses.

(iii) Surrounding Community Demands

Surrounding community expects, besides the production of goods and services that organisations will provide improved lifestyle, safety, employment, infrastructure, and environmental protection from pollutions, without affecting normal life and cultural practices (Agarwal, 2008). Social expectations for the improvement of lifestyles include the development of education, health, religion, political, modern technology and recreation facilities. Idemudia and Ite, (2006) observed that company CSR practices mainly target poverty alleviation, the prevention of human rights violations and environmental protection. These expectations differ from culture to culture. Social and organisational expectations are quite different; organisations expect profit maximisation, while consumers expect good quality, a range of services at low prices. The failure will invite pressure on organisations, since if these consumer expectations are not fulfilled communities may boycott their products.

(iv) Activist pressure

Company activities cause environmental pollution and problems. Examples may be given about the environmental catastrophes caused by sudden events such as the Chernobyl nuclear power plant accident, and the Union Carbide pesticide plant accident in Bhopal. It was also pointed out that slow emergent crises are exemplified by the Minamata Mercury poisoning in Japan as well as the Love Canal toxic waste crisis. The mentioned examples of industrial and environmental crisis include other chronic global environmental crisis caused by business. Other researchers such as,
Brown et al., (1989); Clark, (1989); found environmental damages such as ozone depletion caused by industrial chlorofluorocarbons, global warming caused by industrial atmospheric pollution, acid rain, urban air pollution, toxic and nuclear wastes, the extinction of natural species and the decline in biodiversity. Organisations use rare natural resources such as oil, water and gas in their production processes. Maintaining a clean environment is, therefore, a major responsibility for organisations. Due to global environmental policy, protection of the environment is essential. Environmental activists pressurise and ensure that certain countries have implemented rules for the protection of their environmental resources. They include the prohibition of the use of mechanical equipment for mining, exploration and extraction of sand and gems; the manufacture of polythene or any polythene product of 20 microns or below; and various emission and noise control regulatory provisions. If companies violate these laws, these activists put pressure on the government and their communities may take legal action against them. For example, legal action was imposed with a ban on the Indian Coca Cola Company because their production activities caused decreased water levels in farmers’ wells.

2.8.4 Corporate Social Responsibility History

The history of Corporate Social Responsibility has three stages, namely- (1) the rise and extension of the concept; (2) declining and its absorption; and (3) the revival of the CSR concept. The Industry and managerial circles, global corporate citizenship and stakeholder stewardship, the emphasis was focused on an emerging economic theory of profitable ‘responsibility’. The academic context of this developmental history is conceptually and empirically different and not similar with one another. Business and society studies present a very loose association of several research and teaching streams. These streams generally include of business ethics, the stakeholder concept, corporate social performance, environmental protection, global
corporate citizenship and public policy. Also, it has clearly been a dynamic phenomenon (Carroll, 1999) and definitions were expanded during the 1960s and proliferated during the 1970s. The 1980s saw fewer new definitions, more empirical research, and alternative themes emerged. The alternative themes included business ethics, stakeholder theory and corporate social performance. In the 1990s, Corporate Social Responsibility continues to serve as a core idea but yields to be transformed or is transformed into alternative thematic frameworks. In the early periods of 2000s and of late Corporate Social Responsibility remain an emerging and ambiguous idea for academics and a contested issue for business managers and their stakeholders. Owing to the range of contrasting definitions, the notion of Corporate Social Responsibility has led to the emergence of a variety of practices (Freeman, 1984). The concept of Corporate Social Responsibility has evolved considerably since its first emergence in the 1950s. ‘Alternative themes’ like corporate social performance, stakeholder theory, and business ethics approaches have succeeded the core construct in academic circles (Caroll, 1999). In managerial circles, global corporate citizenship and stakeholder stewardship rhetoric focused in practice on an emerging economic theory of profitable ‘responsibility’. Business and society studies comprise a very loose affiliation of several research and teaching streams. While partly overlapping, these streams do not organize around any widely accepted core paradigm (Preston, 1975). These streams generally include business ethics, corporate social performance, environmental protection, stakeholder agreement theory, international policy regimes, business-government relations and corporate citizenship.

2.8.5 Defining Corporate Social Responsibility

For Corporate Social Responsibility, like in many of management and social science definitions, there is problem with its definition also, which makes it difficult
for a uniform platform. So, defining this term is not easy. This is because of the reason that Corporate Social Responsibility is an “essentially contested concept,” being considered as valued “internally complex,” and having relatively open rules of application. Next, Corporate Social Responsibility is an ‘umbrella term’ overlapping with some, and being synonymous with other conceptions of business and society relations (Matten, 2005).

The central idea of Corporate Social Responsibility reflects the social consequences of business success and its social imperatives. Thus, a Corporate Social Responsibility programme basically consists of clearly expressed and framed policies which are communicated and practiced by the corporations. In fact, the implementation and direction of the responsibility practice programme lie at the discretion of the corporate management. Corporate Social Responsibility is therefore, differentiated from business fulfilment of core profit-making responsibility and from the social responsibilities of government (Friedman, 1970).

Some socially responsible business decisions can be justified by a long, comprehensive as well as complicated process of reasoning as having a good chance of bringing long run economic gain to the firm (Davis, 1960). Defining social responsibility, he asserted that it simply refers to “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”. So, business should start paying it back for its socially responsible image. Further, his proposition stated that if social responsibility and power were to be relatively equal, then the avoidance of social responsibility leads to gradual erosion of social power on the part of businesses. Thus, the “Iron Law of Responsibility” given by Davis held that “social responsibilities of businessmen need to commensurate with their social power”.
Bowen, (1953), contributed an initial definition of the social responsibility of businessmen which is considered as one of the early contributions on the concept. He conceived Corporate Social Responsibility as business policies and decisions, which give values to the society. “It 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” He emphasised that social responsibility is no panacea, but it is an important value that must guide business in the future for a long term vision.

Frederick (1960), put forward the definition of social responsibility as the use of society’s resources; economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners or the shareholders. Joseph W. McGuire stated, “the idea of social responsibility supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations”. He also subsequently elaborated that the corporation should keep abreast of the political atmosphere, actively take part in the welfare of the community, involve in education, work for the happiness of its employees and involve actively in the whole social affairs. The Committee for Economic Development (CED, 1971) made a landmark contribution to the concept of Corporate Social Responsibility. It observed, “a business functions by public consent and its basic purpose is to serve constructively the needs of society to the satisfaction of society”. Business is being asked to assume broader responsibilities with respect to society than ever before and to serve a wider range of human social values. Thereby, the social contract between business and society was changing in substantial and important ways. It is desired that business
enterprises contribute for quality of life rather than just supplying quantities of goods and services without real quality and usefulness.

**Votaw (1972)**, suggested that social responsibility may also refer to an obligation, a liability, social consciousness, corporate legitimacy, charitable contributions, “do goodism”, and managerial enlightenment as well.

**Carroll, (1979)** set forth his definition of corporate social responsibility as the entire range of obligations, a business owes to society, and it encompasses the economic, legal, ethical and discretionary expectations that society has from an organization.

“The European Commission defines the concept of Corporate Social Responsibility 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. Being socially responsible means, not only fulfilling legal expectations, but also going beyond compliance and investing ‘more’ into human capital, the environment and the relations with stakeholders”.

**Patricia Ditzler, (1983)** defines Social Responsibility as a voluntary expenditure or activity by a corporation with charitable intent, for which marginal returns are less than those available from other alternative activities. Corporate social responsibility means “a business organization’s configuration of principles of social responsibility processes of social responsiveness and observable outcomes as they relate to the firm’s societal relationships” (Wood, 1994).

**Hopkins (2003)**, is of the view that Corporate Social Responsibility is concerned with treating the stakeholders of the firm in a responsible manner giving
due emphasis on ethics. Ethical or responsible means treating stakeholders in a manner considered acceptable in civilized human societies. The wider aim of social responsibility is to create higher and peaceful standards of living, while ensuring the profitability of the corporation and for people both within and outside the corporation. Corporate Social Responsibility is not simply about whatever funds and expertise companies choose to invest in communities to resolve social problems. It is also includes the integrity with which a company governs itself, fulfils its mission, lives by its set up values, engages constructively with its stakeholders, measures its impacts and reports with transparency on its activities and programmes. Corporate Social Responsibility is all about the way businesses take into account the economic, social and environmental impacts during the operation of the business - maximizing the benefits and profits while minimizing the ill effects as well as making good the drawbacks caused.

2.9 Theories and Models related to Corporate Social Responsibility

2.9.1 Ackerman’s Model

Robert Ackerman, the micro-theorist was one of the foremost scholars to suggest that responsiveness should be the goal of corporate social endeavour. ‘Responsiveness’ was the term he preferred to use. According to him, companies commonly tend to pass three stages in developing a social response to the issues of the society as explained in the following Table 2.2.
### Table 2.2
**Ackerman’s three stages of social responsibility**

<table>
<thead>
<tr>
<th>Organisational Level</th>
<th>Stages of Organizational Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stage I</td>
</tr>
<tr>
<td>Chief Executive</td>
<td>Issue: Corporate Obligation Action: Write and communicate policy</td>
</tr>
<tr>
<td></td>
<td>Outcome: Enriched purpose, increased awareness</td>
</tr>
<tr>
<td></td>
<td>Issue: Technical problem Action: design data system and interpret environment</td>
</tr>
<tr>
<td></td>
<td>Outcome: Technical and informational groundwork</td>
</tr>
<tr>
<td>Staff Specialists</td>
<td></td>
</tr>
<tr>
<td>Division Management</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Adapted from Aswathappa, (1997), *Essential of Business Environment*

In stage 1, the top managers of the corporation deal with an existing social problem. At this stage, the company is not required to be reminded to do it by anybody. The Chief Executive Officer merely acknowledges the problem by making a written or oral statement of the company’s policy towards it.
Stage 2 deals with the observation and preparation. The company hires staff specialists or engages outside consultants to study the problem and to suggest ways and means of dealing with it. Till this point, the company has limited itself by declaring its intentions and plan formulations only.

Stage 3 deals with implementation. The company now integrates the policy into its ongoing operations. Implementation often comes slowly, and often not until the government or public opinion forces the company to act. But by that time, the company has lost the initiative. Ackerman thus advises that managers should “act early in the life cycle of any social issue in order to enjoy the largest amount of managerial discretion over the outcome.”

2.9.2 Legitimacy theory

Legitimacy theory postulates that corporate responsibility reacts to environmental factors, namely economic, social, political, and, that the disclosures of legitimate actions (Post, 1975). Legitimacy theory is based upon the notion that business operates in society through a social contract where it agrees to perform various socially desired actions in return for approval of its objectives, other rewards and its ultimate survival. It therefore needs to disclose enough social information for society to assess whether it is a good corporate citizen. In legitimating its actions via disclosure, the corporation hopes ultimately to justify its continued existence (Lehman, 1783). The theory is largely reactive in that it suggests organizations aim to produce congruence between the social values inherent (or implied) in their activities and social norms. Corporate social disclosures may then be conceived as reacting to the environment where they are employed to legitimate corporate actions. The legitimacy theory can be conveniently bifurcated into “Legitimacy theory posits that corporate disclosure reacts to environmental factors (economic, social, political).” It
also discloses legislative actions. Business decisions and disclosures are influenced by two sets of factors, viz. internal and external factors. Internal factors can be called internal environment while external factors are called external environment. Internal factors are controllable. They are personnel, physical facilities, organizational factors and functional means. External factors are not within the control of a company. They include economic factors, socio-cultural factors, government and legal factors, demographic factors, geo-physical factors etc. are, therefore, generally regarded as uncontrollable factors. Government is imposing a number of legislative measures.

2.9.3 Stakeholder Theory

While analysing Corporate Social Responsibility, the most relevant model is the popular and well-known as well as widely accepted Stakeholder Theory. It proposes that a company needs to take into account the interests and views most if not, all of its stakeholders in order to be accepted and to be successful in the market place. Classical definition of stakeholders, arguably the most popular definition cited in the literature proposed that stakeholders are ‘any group or individual who can affect or is affected by the achievement of a corporation’s purpose’ (Freeman, 1984). This is clearly a very broad definition and leaves the notion of stake and the fields of possible stakeholders unambiguously open to include virtually everyone. Clarkson, (1995) distinguishes between ‘primary’ and ‘secondary’ stakeholders adding to the earlier concept. A primary or participant stakeholder is one without whose continuing participation the corporation cannot survive as a going concern. Secondary, or non-participant stakeholders are defined as those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation directly and are not essential for its survival. These can be people who exist within an organization. They have more or less a direct interest that the company
should be doing well. In an ideal situation these stakeholders should actively seek to ensure that the company is robust and healthy which in turn could translate into advantages and benefits for these particular stakeholders. The main players in this field are staff and employees. Other organizational stakeholders are the stockholders and the managers. All these people are directly linked to the smooth running of a company, which a well-structured Corporate Social Responsibility policy could augment. Stakeholders may be granted different levels of salience depending on the number of categories into which they fall. A company in general has a number of “layers” of stakeholders that it needs to have a good working relationship with. There are three main groups that one has to be cognizant with namely societal stakeholder, economic stakeholders and organizational stakeholders.

2.9.4 The Archie Carroll Pyramid Model

The pyramid of Corporate Social Responsibility, a dominant model that has enjoyed wide popularity among business and society scholars was presented by Carroll, (1999). He differentiated Corporate Social Responsibilities into four levels: “economic (required), legal (required), ethical (expected), and discretionary (philanthropy)”.

The Pyramid of corporate social responsibility

**Fig. 2.7:** The Pyramid of corporate social responsibility

**Source:** Caroll, (2006), Business and Society, p. 37.

**Theoretical Description**

The Corporate Social Responsibility pyramid was framed to embrace the entire spectrum of society’s expectations of business responsibilities and define them in terms of categories. According to the model, four kinds of social responsibilities constitute total Corporate Social Responsibility: economic (“make profit”), legal (“obey the law”), ethical (“be ethical”), and philanthropic (“be a good corporate citizen”).

**Theoretical Assumptions**

The main assumptions underlying the Corporate Social Responsibility pyramid are discussed in the following lines. The nature of Corporate Social Responsibility taking a managerial approach, the four-part pyramid defines Corporate
Social Responsibility in terms of social expectations that responsible corporations should strive to meet and fulfil. Prevailing social norms and expectations at a period of time provide external criteria against which measurement of corporate performance can be done. In other words, Corporate Social Responsibility in the pyramid formulation is basically accommodative. Suggesting that businesses should treat Corporate Social Responsibility not as a goal to be maximized but as a constraint, the pyramid does effect to promote satisfying behaviour rather than striving for excellence. Thus, the perception of responsibility in the pyramid model is reduced to normative restraints of responsiveness.

**Responsibilities and their hierarchy**

Corporate Social Responsibility, if understood as an array of separate domains naturally leads to narrow definitions of the different responsibilities. Thus, the economic role of the corporation is reduced in the pyramid model to the narrow emphasis on profit making of neoclassical economics. Likewise, legal responsibility is restricted to the “letter” of the law, while the “spirit” of law is reserved for the ethical domain. The ethical domain is further separated from the legal domain using a negative definition as mentioned above: ethical responsibility relates to those social expectations and norms not yet codified into law. In the same vein, philanthropic responsibility designates those areas of voluntary social involvement not specifically prohibited or demanded of companies because of their economic, legal, and ethical responsibilities. The pyramid is a conjunction of separate domains of responsibility in Corporate Social Responsibility. In contrast to the ordinary view, the so-called separation theory, that businesses can focus either on profits or social concerns but not on both, the Corporate Social Responsibility pyramid “sought to argue that businesses can not only be profitable and ethical, but they should fulfil these obligations
simultaneously.” However, the clear cut separation of the domains raises the problem of integration. At most, the pyramid model can postulate that while separating, the bundle of responsibilities formulated as a simple arithmetic sum must apply simultaneously; it says nothing about how these responsibilities are interwoven. The use of a pyramid to depict the conceptual model of Corporate Social Responsibility is intended to portray that the total Corporate Social Responsibility of business comprises distinct components that, taken together, constitute the whole (Caroll). The model categorizes the different responsibilities hierarchically in the order of decreasing importance. The most fundamental is economic responsibility, “all other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become doubtful considerations.” Businesses are expected to operate within the framework of law, thus legal responsibility is depicted as the next layer of the pyramid. Following is ethical responsibility defined in terms of “those activities or practices that are expected or prohibited by society members even though they are not codified into law.” Last, of importance, at the top of the pyramid, is philanthropic responsibility, which is discretionary in nature. Taking into consideration their decreasing importance, the pyramid purports to describe a necessary and sufficient set of obligations, that socially responsible businesses should simultaneously fulfil through various enactments. Legitimacy Theory is based upon the notion that business operators in society via a social contract where it agrees to perform various specially desired actions in return for approval of its objectives, other rewards for ultimate survival. Legitimacy Theory discloses legislative actions (Preston and Post, 1975). Under the concept of maximization of profits, the profit of a firm which operates within the society’s legal framework would provide all inclusive criterion for evaluating its social performance.
2.9.5 The Two-Dimensional Model of Corporate Social Responsibility

Sources: Quazi and O’Brien, (2000)

A two-dimensional model of Corporate Social Responsibility comprising two axes formulated by Quazi and O’Brien, (2000) gave a new horizon diamentions in theorizing the concept. Taking into account the narrow classical view which states that business responsible for providing goods and services and profit maximization within the rules of the game, the horizontal axis is intended to represent variations in views of social responsibility. Business is considered responsible for a wider range and collection of issues, society expectations, and stakeholder perspectives in the modern view. The vertical axis of the model represents two extremes in terms of perceptions of the consequences of the social action of business, ranging from pure concern of the social commitment cost to a focus on the benefits of social involvement (Figure 2.12). The intersections of the two axes results into four
quadrants, representing four possible views of Corporate Social Responsibility, which are labelled as the classical view, the socioeconomic view, the philanthropic view and the modern view. The classical view presents a narrow conception of responsibility and a focus on costs. The socio-economic view indicates a narrow conception of responsibility with a focus on potential benefits. While the modern view holds a wide conception of responsibility with a focus on benefits from CSR action, the philanthropic view represents a wide conception of responsibility with alertness to costs.

2.10 Corporate Social Responsibility and Its Importance

Interaction between society and corporates are inevitable in many ways. They invest in facilities which is also used by the public, produce and sell products, employ people and out-source or in-source many activities and projects. They also give impact on the environment by the nature of their activities, by using valuable resources, or creating by-products, which influence the natural environment. Their interaction with society is through their employees and the many facets of society around them. Further, corporate may act explicitly as responsible, for either emotional reasons or business purposes. As the organization is a part of the society, it cannot function in isolation. So, there is an obligation and responsibility from the part of the corporate to take action that protects and improves the welfare of society as a whole, along with their own interest (Davis, 1975). The society plays a fundamental role in the success of any organization whether in service or manufacturing. Hence, no organization can achieve long-term success without fulfilling the responsibility towards the society. Originally, businesses were seen strictly as economic entities with the primary responsibility for producing goods and rendering services required by a society. This is the classical view held by Milton Friedman, Hayek, Theodore
Levitt and others. According to Friedman (1971), Corporate social responsibility is beyond the basic purpose of business and violates the responsibility of business to its owners, the stockholders. However, with the changing times and broader perspectives as well as the business environment being characterized by various developments including the shift of power from capital to knowledge, increased levels of literacy and the shrinking of geographical boundaries due to faster means of travel and communication, people are, by and large, becoming conscious of their rights, which has led to a rise in the expectations by society from business. An organization receives inputs from society in the form of skilled/unskilled labour, raw material and natural resources, and, in turn, offers goods and services to society. Thus, businesses depend on society, and it is in their interest to take care of society. Business cannot operate in vacuum. Society gives the basis for its very existence and hence, society must be business’s goal too. Corporate Social Responsibility involves a commitment by a company towards the sustainable economic development of the society. It means engaging directly with local communities, identifying their basic needs, and integrating their needs with business goals and strategic aims.

Industry in the twentieth century can no longer be regarded as private arrangement for enriching shareholders. It has become a joint enterprise in which workers, management, consumers, the local government and trade union officials all play a part (Goyder, 1951). He pleaded that business has to be accountable to the public at large, and, he sought to equate the suggestion of a responsible company with the trusteeship concept as advocated by Gandhiji, the aim of which, is to ensure that private property is used for the common good. Modern business is well aware that their very purpose is the customers who are also constituent of the society besides employees, suppliers of goods, shareholders and the competitors. Most firms today
recognize and realize that they have obligations to the society that extend beyond economic performance and goals of profits. Thus, business has an obligation to consider the impact of its activities on all stakeholders who constitute broader segments of society. The managers of large corporations and smaller businesses beginning to realize that they have responsibilities that extend beyond their own stockholders to a wide range of parties dependent on or affected by corporate performance. These parties are known as stakeholders. In addition to a company’s shareholders, its stakeholders include its employees, the communities in which it operates suppliers, customers, government and society at large. In the opinion of Davis (1975), it is the obligation of decision makers to take actions that protect and improve the welfare of society as a whole along with their own interest. Protecting and improving are two aspects of social responsibility. “To protect” implies avoiding negative impact on society, whereas “to improve” implies creating positive benefits for society. The business class should render their support to the general public and common man. If they will be uplifted socially and economically, the productivity of the corporate is also bound to increase. Corporates are to act according to the environmental factors- like social environment, legal environment and ethical environment. This suggests that Corporate Social Responsibility is an obligation of the organization to act in a way that serves both its own interests and interests of its many external communities and environmental factors such as social environment including customers, employees, creditors, suppliers of goods, society and legal environment comprises of International laws, state regulations and local governments enactments. To get successful results, the corporate should hold moral values, judgments and ethical standards as well.
Profit is not the only aim of a commercial corporate. Rather, they have a responsibility to serve the society. Corporates can perform CSR in the areas of health sector, environmental issues, education facilities, community welfare, promotion of art and culture, and causes of general public.

### 2.11 India and Corporate Social Responsibility

Corporate Social Responsibility is not a new feature in India. The term and its meaning have evolved to include employees, customers, stakeholders and sustainable development or corporate citizenship. In 1965, the then Prime Minister of India, Lal Bhahadur Shastri, presided over a national meeting that issued the following declaration on the Social Responsibility of Business: “Business has responsibility to itself, to its customers, workers, shareholders and the community, every enterprise, no matter how large or small, must if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions, and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Gandhiji was a person who in several respects was ahead of his time. His view of the ownership of capital was one of trusteeship, motivated by the belief that essentially society was providing capitalists with an opportunity to manage resources that should really be seen as a form of trusteeship on behalf of society in general.

For fostering a healthy environment in the company, from the employees’ perspective, CSR activities will include provision for health and safety measures, preserving employee rights and no discrimination at workplace. Since 1945, TATA implemented social welfare provisions for its employees which have become a legislative provision. Tata had set up schools and hospitals with full provision of the finances and maintenance costs for its employees. This was at a location where it was
once an inhabitable area, a jungle. For its customers, the company included fair pricing policies, providing quality products and ensured after sales services.

Companies in India focuses their CSR activities towards environmental protection, help remove poverty and education. Companies are taking initiatives for developing infrastructure in rural areas, e.g., TATA Motors provides desks, benches, chairs, tables cupboards, electrical fittings and educational and sports material to various primary schools in Singur. The company has also planned similar programmes to upgrade school infrastructure and is also planning to set up a computer laboratory in one of the high schools. Similarly, TVS Electronics was involved in CSR during the Tsunami to provide relief measures to the victims. They have also participated with the government to improve sanitation in a village called Tiruvidenthai.

Such initiatives will help in improving the conditions of rural people. Infosys Foundation of Infosys Technologies Ltd., GE Foundation of the General Electric Company are exemplary instances of the philanthropic commitment of the corporate sector in India. After Independence, JRD Tata who always laid a great deal of emphasis to go beyond conducting themselves as honest citizens pointed out that there were many ways in which industrial and business enterprises can contribute to public welfare beyond the scope of their normal activities. He advised that apart from the obvious one of donating funds to good causes which has been their normal practice for years; they could have used their own financial, managerial and human resourced to provide task forces for undertaking direct relief and reconstruction measures. Slowly, it began to be accepted, at least in theory that business had to share a part of the social overhead costs of. Traditionally, it had discharged its responsibility to society through benefactions for education, medical facilities, and scientific research
among other objects. The important change at that time was that industry accepted social responsibility as part of the management of the enterprise itself. The community development and social welfare program of the premier Tata Company, Tata Iron and Steel Company was started the concepts of “Social Responsibility.” (Gupta, 2007) The parliamentary standing committee proposed a change in the Companies Bill 2009 that a company having a net worth of Rs 5000 crore or more or a turnover of Rs 1000 crore or more during a year, at least 2% of the company’s net profit should be spent on CSR. The Board of Directors will have to explain for non-compliance of the orders in their Company Annual reports if they failed. Free hand is given to the companies while deciding the areas or activities of CSR.

2.12 CSR Studies

In Indian context, studies on CSR are in the beginning stage. Foremost study on CSR was conducted by Singh and Ahuja (1983) on forty public sector enterprises during the year 1975-76. It was found that only forty percent of them disclosed just more than thirty percent of the total disclosure items provided in the survey. Raman’s study (2006) about the nature and extension of social reporting, revealed that among the top 50 companies in India, the emphasis was on product improvements and development of human resources. Four ground breaking surveys were conducted from the beginning of the 21st century. The first and second surveys were conducted by the Business Community Foundation for the TERI (Europe) in the years 2001 and 2002. The survey revealed that most of the companies across size and sector had awareness of CSR and its significance in the long term. Majority of the companies have policies regarding environment and labour welfare in addition to collaboration with Non-Governmental organisations.
The third survey conducted jointly by CII, UNDP and Water Price Coopers in 2002 indicated that philanthropy no longer adequate and it is also found that CSR is an essential part of corporate action. For enhancing long term stakeholder value, CSR is recognised as an important means by majority of the respondents.

In the fourth survey in 2007-8, an agency named Karmyog studied 500 largest Indian companies based on their CSR performance. It was found that most of the companies in India are not practicing CSR. They equated CSR with philanthropy and charity and using CSR for the sake of its good name to earn publicity as a good company caring for the society. Most of the companies are reluctant to practice CSR by spending on it if it is not compulsory by legal act.

Hence, in the country, there are only a countable number of companies practicing CSR. Big corporate like Tata, Birla, Reliance, Infosys, Wipro, are the pioneers in the implementation and institutionalisation of CSR programmes in the country while concerns like L&T, ITC, Dabur, Mahindra and Mahindra, NTPC and BHEL are also contributing significantly in CSR activities. In spite of these illustrious tract records of successful business giants, CSR practice in India is in a beginning stage only.

2.13 CSR Awards

Still, corporate houses in India are linking sustainable development or social responsibility only with community initiatives. It is also criticised that instituting CSR awards in India is just an eye-wash and fooling the customers by green-washing the corporate. Although, there is criticism on this issue, following are the CSR awards instituted in India:
1) Golden Peacock Environment Management Award

2) Golden Peacock Award for Corporate Social Responsibility. Both these awards are administered by the Golden Peacock Global Awards Secretariat, a London-based organisation with a significant presence in India through its New Delhi office. (www.goldenpeacockwards.com)

3) Business world-FICCI-SEDF Corporate Social Responsibility Award: This award was instituted in 1999 to recognise and applaud the social conscience of corporate houses in India. It has a three-tier selection process involving quantitative analysis, visits to companies and project sites, and the institution of a special jury (www.ficci-sedf.org).

4) CII-ITC Sustainability Award: The sustainability awards are conferred to Indian business houses which demonstrate excellent performance in the area of sustainable development. The process of conferring the award comprises the following steps:
   
   (i) Announcing the award,
   (ii) Receiving the application of intent to participate,
   (iii) Submission of the application document,
   (iv) Desk assessment of the application document,
   (v) On-site assessment of the participating organisations,
   (vi) Final evaluation of the assessment results,
   (vii) Jury meeting and award decision, and
   (viii) Announcement of the award winners (www.ciisustainability.org).

5) TERI Corporate Environment Award: Instituted in 2000–01, this award is conferred annually to recognise the leadership efforts of corporate houses in environmental management and sustainable initiatives, and to recognise innovative practices, programmes and projects that promote sustainable development and further
encourage and provide a momentum for environmental initiatives. The awards are divided into three categories based on the annual turnover of the company:

(i) Turnover less than or equal to Rs. 100 crore per annum,
(ii) Turnover between Rs. 100 crore and Rs. 500 crore per annum, and
(iii) Turnover above or equal to Rs. 500 crore per annum (www.teriin.org).

6) TERI Corporate Social Responsibility Award: Instituted in 2001–02, this award identifies best practices and innovations of Indian corporate houses in fulfilling their responsibility towards diverse stakeholders. The stated objective of the award is to access the:

(i) Integration of CSR concerns with corporate functioning,
(ii) Responsiveness to the needs of different stakeholders, and
(iii) Development of innovative partnership models to fulfil social responsibilities. The awards are divided into three categories based on the annual turnover of the company: (a) turnover less than or equal to Rs. 100 crore per annum, (b) turnover between Rs. 100 crore and Rs. 500 crore per annum, and (c) turnover above or equal to Rs. 500 crore per annum (www.teriin.org).

7) The Asian CSR Awards: The Asian CSR awards programme is presented by the Asian Institute of Management, Ramon V. del Rosario, Sr. Centre for Corporate Responsibility. These awards are conferred in the following five categories:

(i) Environmental Excellence,
(ii) Support and Improvement of Education,
(iii) Poverty Alleviation,
(iv) Best Workplace Practices, and
(v) Concern for Health (www.asianforumcsr.com).
2.14 Need of the Study

Corporate Social Responsibility is an appropriate subject to study as it is a rather urgent issue nowadays with all the major companies in the world spending considerable resources in this field primarily to establish and uphold a proper rapport with their stakeholders both inside and outside the companies. Corporates have moved on from the traditional assumption that the business of business is to make profits (Friedman, 1971). Today business success depends not only on quality or price or convenience alone but also other variables like ethical business practices, community engagement, the environmental concern and so on. Companies must also measure the broader impact of business on society and on the key stakeholders. As the organization is the part of the society it cannot function in isolation from the society around them so there is an obligation and responsibility from the part of the corporate to take action that protects and improves the welfare of society as a whole along with their own interest (Davis, 1975; Muralidhar and Paul, 1993; Sethi, 1995).

Corporate Social Responsibility (CSR) is generally considered to be a concept or practice whereby organisations consider the interest of society by taking responsibility for the impact of their activities on preferably all the stakeholders, viz., customers, employees, shareholders, communities and the environment in all or most aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for the local community and society at large. The concept of Corporate Social Responsibility (CSR) has long been established in academic literature as both a business philosophy and practice (Anderson, 1989). The concept, however, is seemingly much more prevalent, timely and important in this new millennium, as firms attempt to be seen as being “sustainable” or “socially responsible” in nature due to the demands of target stakeholders. Internal and external
stakeholders are requesting that firms act responsibly and behave ethically. Moreover, firms are expected to respond to the changing beliefs and values of the society ([Anderson, 1989](#)). Whilst being socially responsible is often considered doing the “right thing” or being ethical, [Carroll (1979)](#) identifies that the organization also has economic, legal, and discretionary obligations to its target stakeholders. Society is the centrifugal force for the success of any organization. Hence no organization can achieve long-term success without fulfilling the responsibility towards the society. It is thus with the intention of understanding the practices and performance of corporate social responsibility in Manipur that the study has been undertaken.

The review of literature reveals that though a large number of studies have been carried out across the globe analyzing the practices of Corporate Social Responsibility and its impact, there is a dearth of literature in this subject, specifically in the Manipur context. The literature review reflected a growing trend of business towards social responsibility practices. The purpose of this research is to study how effectively Corporate Social Responsibility being practiced by micro, small and medium enterprises as well as service organisations. Furthermore, it is to find out if there is any correlation between the Corporate Social Responsibility practices and profits. This study will endeavour to answer questions, to understand more about the present status of Corporate Social Responsibility, in Manipur.
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