CHAPTER 1 INTRODUCTION

1.1) Introduction of Companies

"In a free enterprise, the community is not just another stakeholder in business but is in fact the very purpose of its existence."

- JAMSETJI N TATA
Founding, Tata Group

In wake of vastness, backwardness & poverty of the country & limitations of the government in mobilizing resources to alleviate these problems, business & other organizations assume overriding importance in helping for its all-round development. Problems afflicting society provide opportunity to business organizations in using their resources & managerial abilities in solving them. Business owes its responsibility towards society. Firstly, as a result of the impact of its own operations & secondly, for being a unit of society in which it operates.

The former relates to what the organization does to the society by way of specific operations whereas the later deals with what society demands from it. Hence, regardless of reasons, business organizations are required to discharge social responsibilities even though they may not be directly responsible for social problems. Business is required to be socially responsible from other consideration as well, namely, that being a potential employer in society it acquires tremendous social power which in turn makes it obligatory to discharge social responsibilities. If social responsibilities are not effectively discharged, it is just possible that social power may be lost in the process. Furthermore, being the leading member of society, business organizations are expected to play a leading role in solving some of the major problems. Business organizations owe social responsibilities to society in the same way as individuals hold. Like an individual, organization is to be viewed as a member of the society & hence he is expected to behave as a responsible citizen.
Business can help local community & society at large in a variety of ways. For instance, it can employ more people from surrounding areas than from distant places. It can also help local community in areas of health & education. It can provide necessary relief at the time of natural calamities. Its superior technical & managerial personnel can draw plans for developing surrounding areas & pursue their execution in association with government agencies & voluntary units in underdeveloped & backward areas & promote use of locally available materials & skills in their operations & adoption of energy efficient capital saving & labour intensive technologies. While doing so business should ensure that culture, traditions & sentiments of local community are duly respected. Its employees should not disturb local traditions & culture. It can provide needed assistance to government’s programmes of poverty alleviation, rural & urban development, housing, education, health, agriculture, transportation, energy, family planning, environment control, social forestry & so on.

The public opinion is now critical of the traditional emphasis of business on making profits. Society is now aware that business must be carried on not only for its own sake but also without prejudicing public interest. Business should strive to secure the interests of society by making available quality & harmless products, keeping environment free of pollution by recycling wastes & making proper arrangements for proper disposal of effluents & providing welfare & security of its employees. Business must not only report to its stakeholders but also to the society as to the steps taken in terms of its obligations to the community at large. This extension of that accounting responsibility is variously called as social accounting, social responsibility reporting & social responsibility accounting.

Accounting information is made use of by several groups such as shareholders, investors & employees. The information needs of each group differ & accounting information must be designed to meet such needs. There are also other stakeholders like customers & the society at large. By stakeholders we mean those who gain or lose as a result of the activities of the business concern. It is only in recent years that people have started appreciating the stake of the society in the conduct of business. Because of the sale of dangerous drugs, the alarming levels of environmental pollution caused by the effluents let out into the streams. The dust & fumes that emit from chimneys & radioactive wastes
dumped into seas. In our own country where the awareness was not high, the recent Bhopal gas tragedy was a watershed for the public to understand its stake in the business that is carried on by national & multinational companies.

There are basically five objectives of business which are Economic objectives, Human objectives, Organic objectives, National objectives and Social objectives. Social objective of business is otherwise called social responsibility of business.

**Social Responsibility of Business**

Although emphasis on the role of social responsibilities of business is of recent origin, its substance found expression in classical management philosophy enunciated by R.C Davis several years ago. Salient features of which were:

1. Economic decentralization based on right of private ownership & free market economy
2. Social obligation of owners, managers & employees towards raising economic status of people.
3. Earning of legitimates profits within the framework of enlightened self-interest.
4. Active promotion of social & economic progress by owners & managers
5. Fiscal incentives to employees for achieving output targets
6. Effective leadership backed by exercise of controlled executive authority
7. Adherence to ethics & norms forming art of business policy
8. Management support for collective bargaining by labour
9. Delegation, decentralization, initiative & accountability to serve as hallmark of business policy.
10. Practice of principles of scientific management based on philosophy of logic, evidence & problem solving approach.

In the above set of points, it is been seen that emphasis on socially responsible management philosophy is implicit in point’s no 2, 4, 7& 9. Point no 2 emphasizes need for raising economic standard of people. Point no 4 underscores social obligations of managers to actively promote social & economic progress. Point no. 7 stresses that
business policy should be based on ethical considerations. Point no. 10 emphasizes need for adopting principles of scientific management in organizational working.

Many of the requirements for socially responsible actions are identical with what once regarded as business ethics, business integrity or norms for decent business working. In earlier days business involvement in solving social problems was inspired by consideration like trying to boost its own image, seeking favors & concessions from government departments & other donor agencies, working under pressure from government & social groups to provide relief to victims of natural calamities, trying to improve working conditions of its own employees living in surrounding areas & promoting sale of its own products & services as part of its development assistance in enlightened self-interest. In subsequent years in wake of growing social problems & government’s own limitations in solving them, help from business was viewed more as a necessity than as a charity. With problems of society becoming increasingly complex & intractable, business is required to share government responsibilities to alleviate social problems.

Business is composed of the collection of private, commercially profit oriented organizations that range in size from the single proprietor (the local TV repair shop, florist) to the corporate giants (Procter & Gamble, IBM, EXXON) and all the small & medium sized organizations in between the two extremes. When business is defined in this all-encompassing manner it is easy to see that businesses of all sizes & in all types of industries are included. However, in spite of this broad coverage of businesses, much of the emphasis on being socially responsible is borne by “big” business & “selected” industries. Big industries is highly visible for many reasons (well-known name, national advertising & distribution, multiple products) and is thus more often in the critical eye of the public, which in many instances equates bigness with “power” and “badness”.

Selected industries such as manufacturing firms & power companies are readily visible because of their air, water & chemical pollution problems. In the case of the automobile industry, it is quite often in the limelight because of the many dangerous problems (actual & perceived) that have existed with automobiles. Pharmaceuticals & other similar companies are very visible because of special problems, such as those associated with
Tylenol & Rely tampons. Small & medium sized businesses, non-national businesses & businesses such as department stores may not receive as much critical scrutiny because they are not highly visible, do not manufacture dangerous products, or emit large volumes of pollutants.

Even though much emphasis (and possibly too much emphasis) is being focused on the large businesses, sight cannot be lost of the fact that many of the same problems that exist for large businesses also exist for the small & medium sized businesses. In many instances the rules & regulations impose hardships upon the smaller businesses because of their limited work force & financial resources; they may, therefore, require and in some instances deserve special consideration in certain situations.

1.2) Society Defined

Society may be defined as a grouping of people having certain common interests, manner of life, activities, purpose, values, traditions or goals or objectives. A society can thus be composed of individuals, small group of people such as found in a local PTA, or larger organizations such as found in local or state government, the federal government, or the country as a whole. These groups or societies can be working for the same or similar goals & objectives have some overlapping goals & objectives, be in direct opposition to one another or any combination thereof. Most of these groups serve their own self-interests& their power is widely decentralized (total power is not controlled nu any one society such as labor, the military, the government, business or any combination of societies). This is a pluralistic society that maximizes freedom of expression, action & responsibility; this in turn results in a widely diversified set of loyalties to many different causes & organizations & minimizes the danger that any one leader of any one organization will be left uncontrolled. All of these advantages & disadvantages, along with its structure& composition, are in part some of the cause for the differences in viewpoint on what social responsibility is, what it should be, what it should encompass, & what it should accomplish.

Since there are so many different societies, more popularly referred to today as "stakeholders" (employees, stockholders, consumers, minorities, women’s groups, suppliers, competitors, community neighbors, cultural groups, church organizations,
charitable organizations, labor unions, environmental action groups, financial institutions, 
public interest groups, local state & federal governments; the press), business is buffeted 
on all sides to go in different directions as each group or society dictates its wishes & 
desires. The business is usually driven, or at least tilted, in the direction of the desires of 
the strongest society. This may be its own governing body in the case of a few powerful 
or self-owned businesses; the local, state or federal government; its stockholders; or any 
number of the other societies.

1.3) Definitions of Corporate Social Responsibility

The concept of Social Responsibility, or social responsiveness as some now prefer to call 
it, is a continually evolving concept & means different things to different people. 
Numerous studies conducted during the 1970s & 1980s have tried to arrive at a consensus 
definition of social responsibility but have failed to do so. Much of the research attempts 
to identify various kinds of socially responsive activities, present the list of these 
activities to the business manager & then measure & tabulate the relative frequency of 
response to which the activities are practices by those agencies or people being 
questioned. Since different issues are more or less relevant to different industries; the 
results from these studies are often confounded & confused. although this may make it 
difficult to present a precise definition of social responsibility that will be acceptable to 
everyone, at least the major components that go into making up what social responsibility 
is can & should be explained.

The concept of social responsibility has been with us since the beginning of mankind &
has slowly evolved to its present state. The first comprehensive approach to modern era 
social responsibility was ushered in 1953 with the publication of Howard R. Bowen’s 
book Social Responsibilities of the Businessman. He felt that public responsibility, social 
obligations, & business morality were synonyms for social responsibility & described the 
term social responsibilities of businessmen as: “It refers to the obligation of businessmen 
to pursue those policies, to make those decisions, or to follow those lines of action which 
are desirable in terms of objectives & values of our society.”

In 1971 the Committee for Economic Development (CED) published a book in which 
they treated the relationship between business & society as a social contract between the
two groups, with business major obligation being the providing of those goods & services that society needs. Traditionally, these needs have been economic, such as production of goods & services, job opportunities, an improving standard of living & a higher gross national product (GNP). This traditional contract between business & society has been changing because of the addition of new social values responsibilities placed upon business. Some of these new social value responsibilities include: stricter compliance with local, state, federal & international laws; social problems; human values; health care, pollution, quality of life, equal employment opportunities; sexual harassment, elimination of poverty; child care & elderly care; support of the arts & universities; and many others. Basically, each of these areas of social value responsibility can be placed in one or more of three broader categories or headings of social responsiveness: these three categories are legal, more ethical & philanthropic.

Many people & groups (the stakeholders) feel that business has a moral obligation to correct the social problems that beset society; at the same time, many of these stakeholders feel that much of the business community has not & is not adequately dealing with many of these social problems of concern. All of these forces place pressure on business to respond to the emerging major social issues of the day.

Many businesses today feel that in order to respond effectively & efficiently to the major social issues & demands of the day, corporate social policy must be integrated into corporate strategy. Corporate executives will have to include social policy guidelines into the strategic plans from which the functional policies & operational plans will be derived; the burden of implementing & achieving the social goals will lies on the shoulders of middle & lower management. As a result of this approach, “Several corporations have been extremely effective in translating the concept of responsibility into practice and increasing profits at the same time.” This is definitely the basic approach that some of the larger more efficient & profitable businesses are taking today. Peter Drucker expresses this concept by saying: “To do good in order to do well” that is to convert social needs & problems into profitable business opportunities, is rarely considered by today’s advocates of ‘social responsibility’ ”William Norris (the founder & CEO of Control Data Corporation) feels “that it is the purpose of business to do well by doing good”. Smith
Kline, Johnson & Johnson, & Delta Airlines are other companies that have joined the “do good by doing well” bandwagon.

Margaret Stroup & Ralph Neubert of Monsanto feel that the evolution of social responsibility has been from voluntary (“doing good,” at reduced business profits by consuming resources) to mandatory (pressure from stakeholders to force certain desired social responses & actions, again at a cost to the business) to investments in the future (social responsibility becomes an investment that improves the long term performance of a business) & that as a result of this evolution, “Corporations are beginning to realize that, for their survival & competitive advantage, they must evolve from doing good to doing better. Only slowly is recognition growing that long term values to the corporation of conducting its business in a socially responsible manner far outweighs short term costs”

This concept of “doing good by doing well,” or progressing from “doing good to doing better,” in the area of socially responsibility simply means that social responsibility is & should be handled as a corporate investment that will result in a long run corporate profit & not a corporate expense. Most businesses would probably like to achieve this goal, but for many businesses this may be easier said than done.

Although a very desirable & commendable objective, not all people & businesses feel that the “doing good to doing better” concept is achievable or readily applicable to their business. Not all Canadian, European, or multinational business look at & treat social responsibility in the same manner as do strictly U.S businesses. For U.S businesses, the concept is not totally new; nor is it free from some dangerous pitfalls or the ultimate solution to all social responsibility problems. It is also probably overly optimistic for application by many companies. Further examination of this side of the social responsibility coin will divulge reasons for these comments.

Most dictionaries define investment along the lines of “committing or use of (money, capital, etc.) for the purchase of property, securities, a business project etc., with the expectation of a profit”. Therefore, any investment, by definition, is expected to result in a profit for the company. The question must then be asked, can and should all social responsibility items, no matter how judiciously handled, result in increased profits for the
company? Is this the best place to invest the money, or can greater returns be achieved elsewhere? These & other similar questions must be answered when it comes to company growth & survival.

Before the "doing good to doing better" concept can work it must have the complete blessing & support of top management & be inculcated & totally supported all the way down the organizational ladder. Studies have shown that this may take several years to accomplish. It is a long term educational process. If everyone in the company does not understand the concept, it is subject to failure anywhere along the line. If outside stakeholders are not properly educated & do not understand the concept & processes involved and if they do not agree with it then the entire program can falter & even fail.

In today's environment, when churches, public unions, individuals, foundations & takeover artists all own large shares of stocks & speak out, many companies are now focusing their efforts on trimming operations & reallocating assets to improve short term profits & balanced growth. As Stroup & Neubert point out in their article, the investment concept they propose will "improve the long term performance of the enterprise" (emphasis added) if it can be properly formulated and implemented. However, if, in short run, the company goes out of business or is taken over, all this effort will go down the drain. Management's emphasis on short term profit improvement will mean that internal competition for the same funds slated for social responsibility investment will become more intense among the internal managers. Keeping internal company priorities straight & yet having a sense of social responsibility thus becomes a difficult balancing act.

Keeping the company in business in order to keep people employed & still generating a reasonable profit for its stockholders are also primary concerns & top priorities of the company.

According to Edward G. Harkness, past chairman of the board of the Procter & Gamble Company "There is no charity for charity's sake in our handing out the company's money or in asking the company's people to give their time. Procter & Gamble's support of civic campaigns is now and always will be limited to what we believe represents the enlightened self-interest of business" this is probably how many businesses feel & act.
Large companies, with large planning, policy & strategy staffs, may be in a better position to make the “doing good to doing better” concept work. On the other hand, medium sized & smaller companies with limited resources may have serious problems in applying this concept of social responsibility.

Two major obstacles that must be overcome for this concept to work, even to a limited extent, can both be listed under the heading of “education.” To accomplish the concepts, goals & objectives requires developing a company culture tuned to such a concept. Conditioning company culture requires an extensive educational process, which takes time & management commitment. Of equal importance, however, is educating the stakeholder to understand what is going on in industry & what industry is trying to do. The stakeholder also has a social responsibility to be aware of & understand the socio economic process.

Most of the literature & most people understands place the major obligation for socially responsible actions on business. This is not true or complete picture; the stakeholders also have certain responsibilities and obligations to business- it is a two way street. For example, business has certain responsibilities & obligations to its employees & the employees have certain responsibilities & obligations to the business.

Relationship between Business, Society, and Social Responsibility

All of the major participants & components involved in social responsibility have now been briefly discussed. Social responsibility involves two major participants: business & society (stakeholders). It encompasses three major areas of responsibility:

1. Legal (complying with the law), setting- and;
2. Abiding by moral & ethical standards, and
3. Philanthropic giving

Simply defined, social responsibility is the obligation of both business & society (stakeholders) to take proper legal, moral ethical & philanthropic actions that will protect & improve the welfare of both society & business as a whole; all of this must of course be accomplished within the economic structures & capabilities of the parties involved.
1.4) History of Corporate Social Responsibility in India

In India, the market is the new ‘mantra.’ Globalization has brought in new players and alluring products into markets. The growing middle class, which has been bereft, of ‘goods’ in the past, is too happy consuming, to want to pay heed to what may lie underneath. American style, glass lined shopping malls teem with the newly rich. Plastic money has made hitherto inaccessible goods merely signature away. It is a new ethos, expectant and eager, which draws in glitzy brands supported by nubile advertising. The dismal human condition of the rest of the country does not exist here, and the fact that over 25 % of the country does not have even a meal a day is a mere statistic. It is an engagement, which for many is an uncomfortable one, and a willingness to believe in corporate literature an easy ‘out’ of any possible guilt.

In such a context the picking seems to be easy for businesses with the ‘system ‘available to be beaten for profit. Terms like ‘ethical behavior’ can put an uncomfortable hurdle in that path and for powerful corporate bending rules, is not too difficult. Corporate philanthropy helps as well. NGOs are funded to carry out ‘community development’ work, and these too are advertised as part of the branding process. Cynically, such donations also obtain local tax rebates. But even though some people may benefit from such charity, it does not translate into changing the way business itself is done.

Many countries in Europe, including Switzerland, Sweden, Germany etc., by law need companies to collect used cars, television sets, computers, and batteries and to dispose them off. It is another matter that much of this is often collected and exported to the South! However these ‘responsible’ models work in the given legal and social milieu. The same companies however do not show such ‘enlightened’ behavior in India, and in fact often resist the setting up of such systems through their immense lobbying powers with governments. It would be futile to expect CSR to work in such an environment.

It can be argued that without such enabling conditions in a society, CSR cannot effectively work. It would need a functioning democracy that delivers not only in its intent but also in its institutions. When the balance of power in areas of civil liberties, environmental and social rights between industry, the citizens, and the state is equal then CSR could guide the larger role business has to play. Under such political conditions
CSR, even when voluntary, puts a high degree of accountability onto the corporate entity. Shareholders would then accept that business goes beyond profits and dividends, into the manner in which these have been achieved.

In another realm, where institutions meant to protect rights of society are not firmly in place and the power to influence processes is not vested enough in the citizenry, CSR could become out of place and misleading.

No doubt India is a democracy, one that is very successful at ensuring peaceful transference of power through an electoral system every five years. Yet, the country faces gross social inequities of poverty and a new affluence for a few. Human, consumer and environmental rights are contested terrains, and corporate scandals are commonplace. Numerous environmental and social legislations have been enacted under its strongly democratic Constitution.

However implementation is dismal and reflects the fact that Institutions responsible for this are weak and unaccountable to public pressure. In some areas, especially relating to marginalized sections like workers, there is also an inadequate legal focus. For example there are no comprehensive Occupational Safety and Health Act, nor are Information Right laws in place. Though India is party to several international environmental and labour conventions, many including International Labour Organization (ILO) and United Nations Environmental Program (UNEP) treaties have not been ratified. Corruption in high circles is regularly reported, but convictions are almost non-existent.

In such a scenario, CSR then becomes a mere ‘web site’ declaration, with no pressure to deliver on the ground.

A number of recent surveys have been conducted in India to understand what Corporate Social Responsibility (CSR) means in the Indian context, what the expectations of different stakeholders are and the drivers and barriers facing companies. It traces back the history of CSR in India and suggests that there are four models.

1. **Ethical Model by Mahatma Gandhi:** The ‘ethical model’ as suggested by Mahatma Gandhi, where companies voluntarily committed to public welfare and participated in nation building.
2. **Statist Model by Jawaharlal Nehru:** Then followed the ‘statist model’ post India’s independence propounded by Jawaharlal Nehru. This model calls for state ownership and legal requirements of CSR.

3. **Liberal Model by Milton Friedman:** The ‘liberal model’ by Milton Friedman talks about CSR being limited to private owners or shareholders.

4. **Stakeholders Model by R. Edward Freeman:** And the latest is the ‘stakeholders model’ championed by R. Edward Freeman, which calls for companies to respond to all stakeholders needs.

All these four models co-exist in India today. One of the weaknesses of the current system is that the agenda is set by the industrialized world with little understanding of the diversity of approaches and track record in other parts of the world. Some of the main findings are:

a) Environmental pollution was regarded with great concern by all groups.

b) The main expectation of the companies by the public was that they provide good quality products at low prices, treat employees well without discrimination, protect the environment, help bridge the gap between the rich and the poor, and help in social and economic development.

Many leading foreign MNCs and domestic titans, pre-eminently members of the Tata Group, have been standard setters on core CSR issues such as labor conditions, health and safety, environmental management, corporate governance and integrity. One of the Tata Group of companies, Tata Steel, is the first in the country to produce a corporate sustainability report and administers the only industry town in the world, Jamshedpur, which has received ISO 14001 environmental quality certification. Given the increasing importance given to CSR in corporate circles worldwide, and attendant public pressure for corporate probity, many leading Indian corporate have exhibited their keenness to broadcast their CSR credentials. Regrettably this is too often more a public relations exercise relying on slick advertising, rather than a true reflection of a well-thought out committed business strategy and corporate culture predicated on CSR values. In India, as elsewhere, verification of corporate commitment to voluntary efforts is still a long way
off and will require both stakeholder partnership and independent oversight. The Confederation of Indian Industry (CII) India’s largest industry body has taken a noteworthy lead in promoting CSR amongst its membership. It has adopted a set of positive example to other industry bodies in India such as FICCI (Federation of Indian Chambers of Commerce & Industry) which have also held CSR related events. There is a need, however, to move beyond one-off events, towards the development of a more systematic, and inclusive approach by industry bodies in partnership with NGOs, trade unions and other stakeholders. This will be critical to the successful mainstreaming of CSR in Indian business and industry - especially in the absence of a vibrant consumer movement as a key driver.

1.5) Principles of Corporate Social Responsibility

According to Gautier & Roy, there are three approaches to the concept of corporate social responsibility. The first approach expressed by classical economists emphasizes profit maximization which leads to maximization of shareholders wealth.

According to Milton Friedman, “there is only one social responsibility of business which is to use its resources & engage in activities designed to increase its profits, as long as it stays within the rules of the game; which is to say engages in open & free competition without deception or fraud.” According to him, the acceptance of social responsibility by corporations will undermine the very foundations of our free society.

According to the second approach which takes into account the social objectives, corporate managers should balance the claims of various groups. According to this view, long term income maximization can take place only after considering the corporation as a coalition of various interests & securing properly the interests of each group.

According to the third view, enunciated by the committee for economic development (1971), “the chief executives of large corporations have the problem of reconciling the demands of the employees for more wages & include benefit plans, customers for lower prices & greater values, shareholders for higher dividends & greater capital appreciation—all within a framework that will be constructive & acceptable to society. As per this view, income is only a mean to an end & not an end in itself. Therefore, corporate planners
should select a plan which not only secure a satisfactory level of income but only secure a satisfactory level of income but also results in the achievement of predetermined social goals."

The difference between the second & third view lies in the fact that whereas the second view considers other interests as a constraint in securing profit maximization for its stakeholders. The third view places a great responsibility of the business in the selection of socially responsible alternatives relevant to its environment. It should however, be remembered that the concept of corporate social responsibility is not a static one. It changes according to the changes in times, circumstances public opinion & is largely moulded by legislation (measures such as to prevent environmental pollution, exploitation of women & child labour regulative restrictive & unfair trade practices with a view to protect consumers, etc.) licensing & inspecting procedures with an eye on the safety & health of the community, sometimes tax incentives to participate in rural development programmes, promote health of the community & provide employment to handicapped persons.

The general principles of CSR are as follows:

- Corporations are Primarily Economic Institutions.
- Must follow the law.
- Managers must act ethically.
- Duty to correct the adverse social impacts they cause.
- Social responsibility varies with company characteristics (e.g., size, industry, location).
- Managers should try to meet the legitimate needs of stakeholders.
- Comply with the norms of the social contract.
- Publicly report on market, mandated, and voluntary actions.

1.6) Need and Significance of Corporate Social Responsibility

Social responsibility information about business enterprises in mainly useful to internal users, external users & in influencing the share prices of a company.
a) **Internal Users**

Within a company, the greatest need & demand for social responsibility information comes from top management or board of directors. Top management especially the chief executive officer needs social performance information to respond to a critical press, to answer shareholder’s questions and to ensure that company policies are followed. Corporate directors especially because of their growing legal liability need to know in detail what sort of social programs the company is having and what result it is getting. Directors also need complete information about effects of the company on society; it is probably more important that they will be fully informed as to negative effects, since this is where the criticism will be directed and this where the directors may have to defend themselves. Labour unions can also be expected to seek social performance information about their companies.

b) **External Users**

The external users demand for social accounting information is even more diverse. Social reporting & accounting are needed by present & potential investors by large institutions & individuals. Some studies conducted in this area show the impact of social disclosure on investment decisions. In a survey of institutional investors, Longstreth & Rosenbloom found that 57 percent of the respondents indicated that they considered social factors in addition to economic factors when making decision. Belkaouei conducted an experiment to investigate the impact of socio economic statements on investment decisions. In the experiment, alternative disclosure of socio economic accounting information namely the abatement costs of pollution, were investigated as accounting techniques that may influence the investment decision of potential users. The theoretical rationale stemming from the linguistic paradigm in accounting was that in general the accounting techniques may tend to facilitate or render more difficult various managerial behaviors on the part of users & that in this particular context the investment decision effects from different professional groups using alternative socio economic information will be difficult. The findings prove the
general relevance of socio-economic accounting information for the bankers under any investment strategy & for the accountants only under any investment strategy and for the accountants only under an investment strategy focusing on capital gains.

c) Impact on Share Prices

The disclosures of social information help investors in studying the negative effects of social awareness. Expenditure on earning per shares along with any compensation positive effects that reduce risk or create greater interest from a particular investment between firms competing in the capital market those perceived to have the highest expected future earnings in combination with the lowest expected risk from environmental and other factors will be most successful at attracting long term funds. Others believe that ethical investors form a clientele that responds to demonstrations of corporate social concern. Investors of this type would like to avoid particular investments entirely for ethical reasons & would prefer to favour socially responsible companies in their investment decisions.

Various market based studies have been considered to know the nature of the market reduction due to the disclosure of social information. Spicer concentrated on ascertaining the extent to which investor perceptions of a moderate to strong association between the investment worth of a company’s securities & its social performance on key issues appeared warranted. A significant association was found which shows that firms in the pulp & paper industry with better pollution control records tend to have higher profitability, larger size, lower total risk & higher price earnings ratios than with poor pollution control records. Ingram found that the information content of firm’s social responsibility discipline is conditional upon the market segment with which the firm is identified where the market segment with which the firm is identified where the market segment with which the firm is identified where the market segment is identified by the type of social disclosure, the industry to which the firm belonged, the sign of the firm’s excess earnings in the year of disclosure & the year of disclosure. Belkaoui reported that the price of behavior of firms
making social disclosure was different from the price the price of behavior of firms not making disclosure. Trotman & Bradley investigated some of the characteristics of Australian companies that may be associated with their disclosure of social responsibility information. They found that companies which provide social information are on an average larger in size, have a higher systematic risk & place a stronger emphasis on the long term than do companies that do not disclose the information. Anderson & Frankle investigated the impact of voluntary social reporting on the stock market by using an ISO-beta portfolio analysis. Their results strongly support the contention that the market values social disclosure positively. The results have many important implications; economic resources appeared to be allocated in the market to securities of those firms that socially disclose; social performance information has an impact on the market & voluntary accounting information has an impact on the market.

1.7) Arguments for Corporate Social Responsibility

Arguments offered in favor of CSR can be broadly split into two camps that are moral and economic.

A moral argument for CSR

While recognizing that profits are necessary for any business entity to exist, all groups in society should strive to add value and make life better. Businesses rely on the society within which they operate and could not exist or prosper in isolation. They need the infrastructure that society provides, its source of employees, not to mention its consumer base. CSR is recognition of that inter-dependence and a means of delivering on that obligation, to the mutual benefit of businesses and the societies within which they are based: CSR broadly represents the relationship between a company and the wider community within which the company operates. It is recognition on the part of the business that 'for profit' entities do not exist in a vacuum, and that a large part of any success they enjoy is as much due to the context in which they operate as factors internal to the company alone.
Advocates of CSR believe that, in general, the goal of any economic system should be to further the general social welfare. In advanced economies, the purpose of business should extend beyond the maximization of efficiency and profit. Increasingly, society expects businesses to have an obligation to the society in which they are located, to the people they employ, and their customers, beyond their traditional bottom-line and narrow shareholder concerns.

At a minimum, businesses operating in a community benefit from the infrastructure of that community (tangible, practical elements such as the roads, other transport infrastructure, the police, firefighters, etc.) as well as more intangible benefits, such as a safe or clean environment. But, in most cases, businesses also draw their most important resource, its employees, largely from the local community. CSR advocates point out that no organization exists in isolation. They believe that businesses, without exception, have an obligation to contribute as well as draw from the community, on which they rely so heavily.

**An economic argument for CSR**

An economic argument in favor of CSR can also be made. It is an argument of economic self-interest that there are very real economic benefits to businesses pursuing a CSR strategy and is designed to persuade those business managers who are not persuaded by the moral case. Proponents of this argument believe that CSR represents a holistic approach to business. Therefore, an effective CSR policy will infuse all aspects of operations. They believe the actions corporations take today to incorporate CSR throughout the organization represent a real point of differentiation and competitive market advantage on which future success can hinge. CSR is an argument of economic self-interest for a business. In today’s brand-driven markets, CSR is a means of matching corporate operations with stakeholder values and demands, at a time when these parameters can change rapidly. One example is a company’s customers: CSR adds value because it allows companies to better reflect the values of this important constituent base that the company aims to serve.

CSR covers all aspects of a business’ day-to-day operations. Everything an organization does in some way interacts with one or more of its stakeholder groups, and companies
today need to build a watertight brand with respect to all stakeholders. Whether as an employer, producer, buyer, supplier, or investment, the attractiveness and success of a company today is directly linked to the strength of its brand. CSR affects all aspects of all operations within a corporation because of the need to consider the needs of all constituent groups. Each area builds on all the others to create a composite of the corporation (its brand) in the eyes of all stakeholder groups.

1.8) Arguments against Corporate Social Responsibility

This section explores how CSR diverts attention from real issues, helping corporations to: avoid regulation, gain legitimacy and access to markets and decision makers, and shift the ground towards privatization of public functions. CSR enables business to pose ineffective market-based solutions to social and environmental crises, deflecting blame or problems caused by corporate operations onto the consumer and protecting their interests while hampering efforts to find just and sustainable solutions.

1. Public Relations - CSR sells. By appealing to customers' consciences and desires CSR helps companies to build brand loyalty and develop a personal connection with their customers. Many corporate charity tie-ins gain companies access to target markets and the involvement of the charity gives the company's message much greater power. In our media saturated culture, companies are looking for ever more innovative ways to get across their message, and CSR offers up many potential avenues, such as word of mouth or guerilla marketing, for subtly reaching consumers. CSR also helps to green wash the company's image, to cover up negative impacts by saturating the media with positive images of the company's CSR credentials.

2. Avoiding Regulation - CSR is a corporate reaction to public mistrust and calls for regulation. In an Echo research poll, most financial executives interviewed strongly resisted binding regulation of companies. Companies argue: that setting minimum standards stops innovation; that you can't regulate for ethics, you either have them or you don't; and that unless they are able to gain competitive advantage from CSR, companies cannot justify the cost. Companies are
essentially holding the government to ransom on the issue of regulation, saying that regulation will threaten the positive work they are doing. CSR consultancy Business in the Community supports corporate lobbying against regulation, arguing that 'regulation can only defend against bad practice - it can never promote best practice.

3. **Violation of Profit Maximization**: This is the essence of the classical viewpoint. Business is most socially responsible when it attends strictly to its economic interests and leaves other activities to other institutions.

4. **Dilution of Purpose**: The pursuit of social goals dilutes business’s primary purpose: economic productivity. Society may suffer as both economic and social goals are poorly accomplished.

5. **Costs**: Many socially responsible activities do not pay their own way. Someone has to pay these costs. Business must absorb these costs or pass them on to consumers in higher prices.

6. **Too much Power**: Business is already one of the most powerful institutions in our society. If it pursued social goals, it would have even more power. Society has given business enough power.

7. **Lack of Skills**: The outlook and abilities of business leaders are oriented primarily toward economies. Business people are poorly qualified to cope with social issues.

8. **Lack of Accountability**: Political representatives pursue social goals and are held accountable for their actions. Such is not the case with business leaders. There are no direct lines of social accountability from the business sector to the public.

9. **Lack of broad public support**: There is no broad mandate from society for business to become involved in social issues. The public is divided on the issue. In fact, it is a topic that usually generates a heated debate. Actions taken under such divided support are likely to fail.
1.9) Corporate Social Responsibility voluntary Guidelines 2009
Ministry of Corporate Affairs

CSR Voluntary Guidelines 2009 cover the core elements of CSR and also provide guidance for their implementation.

In some sense, these guidelines represent a path-breaking step. It is true that several Indian corporate groups have been well-known for decades for their socially responsible behaviour, which has often received recognition in business and related literature. There have been efforts amongst the industry, professional associations and academia to engender a greater sense of social responsibility among companies. However, this step is unique as it represents the first concrete step regulatory standpoint that recognizes the need for observance of CSR as a separate matter. Although this is only by way of exhortation rather than a mandatory requirement, it does send perceptible signals to corporate India.

To lead India to the path of a developed nation, it is utmost necessary for the Corporate Sector to compliment government actions and join hands in its efforts to bring in prosperity and growth uniformly to all regions and all community, thereby bridging the gap between the government and those governed.

While the Government undertakes developmental activities, the business sector also needs to discharge their responsibility of exhibiting socially responsible business practices that ensures fair distribution of wealth and well-being of the communities in which the business operates. With extending its operation across the globe, the Corporate India must play its role in nation’s socio-economic development.

Corporate Governance which basically relates to the governance of company in a manner that the interest of the shareholders be protected through transparency of information and involvement of independent directors for effective functioning of the company, Corporate Social Responsibility is a much wider term which extends beyond the interest of investors and brings within its ambit the interest of society and the nation as a whole.

Towards this end, the Apex industry body, FICCI issued Voluntary Guidelines for Business Corporate Social Responsibility, a voluntary activity to be undertaken by the
corporate. To encourage the business sector for voluntary adoption of CSR Guidelines, FICCI recommended incentivizing CSR activities through tax incentives and creating markets for CSR credits like carbon credits.

The Ministry of Corporate Affairs on conclusion of “India Corporate Week- 2009” has announced Corporate Social Responsibility Voluntary Guidelines 2009 which advocates value based and ethical business practices, cordial labour relations, customer satisfaction and loyalty, generating benefits to the community and the environment, being the major stakeholder.

Main highlights of the CSR Voluntary Guidelines

Business entity should formulate CSR policy in consultation with various level executives and approved by the Board of Directors. The Policy should be aligned with the major goals of the business and operate as an integral part of overall business policy. Core elements as contained in the CSR policy should include:

- Care for all stakeholders
- Ethical functioning
- Respect for Worker’s Right and Welfare
- Respect for Human Rights
- Respect for Environment
- Activities for Social and Inclusive Development

The Guidelines also provide for implementation guidance of the CSR policy which should include identification of projects/activities, setting measurable physical targets with timeframe, organizational mechanism and responsibilities, time schedules and monitoring. Further, a specific amount in the budgets should be allocated to CSR policy and companies should disseminate information on CSR policy, activities and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media to create awareness and set their example.
The next chapter of this study is pertaining to research methodology. It is that important unit of research work which gives information to the reader about scope, objectives, significance and process of research work is adopted by scholar. The use of it is to be confined to the reader or evaluator but to scholar too. On the basis of well-defined territory of work, scholar can decide his/her own rational path for analysis. The exclusion of this will result in to incomplete disclosure of research work.