This chapter discusses the background information of the present research study. It tries to explain the existing significant problem dealt with in the study, which needs extensive attention. It also details the research design, covering the general framework of research, research strategy and methodology. The research design refers to a scheme or plan, procedure and strategy of a study in order to obtain answers to the research questions (Scott and Morrison, 2006, Kerlinger and Lee, 2000). The whole structure of the research depends on research framework while the research methodology explains the procedure and methods used for conducting research. This chapter finally explains the structure and content of the thesis in the present research study.

1.1 Background of the Research

The history of business indicates a long journey from the barter system in its incipient stages to the use of plastic money in the modern era and to the current technologically advanced stage in which the material form of money is less used on account of business transactions conducted through the internet. In this process, there is significant evidence of separation of business activity from the society in general. Yet, business as an entity exists and operates in a social environment. The Corporates are making wealth and profit due to the use of society’s resources. In this context, the logic of the idea of Corporate Social Responsibility (CSR) is to give back to the
society what the Corporates morally owe to it. It constitutes a legitimate contribution of the Corporates towards socio-economic development of society. Various researchers have defined CSR from various dimensions and perspectives. Accordingly, there are various definitions of CSR. Generally, CSR is defined as a commitment of businesses to socio-economic development through contribution to the quality of life of their employees, local communities and the society at large. CSR as a concept has become very important worldwide for the socio-economic development of the societies in which the businesses operate.

Various studies have been done by researchers to know the different dimensions of this topic. The introduction of the Companies Act 2013 by the Indian government has opened a new debate on CSR policy of Corporates. As provided in the Company's Act 2013, the Corporates specified in the Act have to spend in each year 2% of their average profit earned in the previous three financial years on activities mentioned under Schedule VII of the Act. The Companies are legally bound to implement the Act for socio-economic development.

As we know, the world has entered into a new era of Liberalization, Privatization and Globalization (LPG). In this context, there is a demand from various countries for bringing about and maintaining the principles of transparency and accountability in business-related policies and practices from different perspectives -- economic, social and environmental, etc. In the Summit of the World Economic Forum held in Davos on 31 January 1999, the U.N. Secretary General, Kofi Annan, recommended to world business leaders to follow ten principles. These principles are derived from the UN’s Global Compact, which outlined a framework of standards for the businesses to follow in the areas related to labour, human rights, environmental protection, and anti-corruption.
1.2 Statement of the Problem

With the emergence of an integrated world in the modern era, there is a manifold increase in the information dissemination to the people on the economic, cultural, social, environmental aspects of doing business. As a result, all over the world, the negative effects business activities like child labour and environmental damages, etc are being recognized, along with other socio-economic issues. The CSR has emerged as an important concept and strategy to improve the social, economic and environmental issues. The present research is a comparative study to finding out the contribution by public and private sector organisations to the socio-economic development and protection of environment through their CSR activities. In developing countries like India, where there are various socio-economic problems facing the people in general, the adoption of CSR policy through the new Companies Act in 2013 is a significant step in the overall socio-economic development strategy. It is pertinent and important to see how this new initiative of the Government is working and the extent of its effect on business management practices and socio-economic progress. It is also important to understand to what extent the Companies are following the mandate of the Act for spending 2% of their profits; how they are spending this mandatory amount, and whether they are following the specific provisions of the CSR policy. There is need to generate more awareness and knowledge on these questions and their importance on which presently there is a lack of adequate information and awareness in the Indian context.

1.3 Research Gap

There have been various research studies undertaken on CSR in the west, especially since the 1950s, but in Indian context there are a very few studies. The focus of this
research is to analyze the gap between the mandatory extent of 2 percent of the profits which the Companies have to adhere to and what the public and private companies actually spend on the CSR activities specified in the Schedule VII of the Companies Act 2013. The another dimension of the present study is to know the difference in the thematic approaches and the nature of activities between what is envisaged in the Act and what is adopted and followed by the Companies in the public and private sector.

1.4 Comparative Study on CSR

Various techniques and statistical tools have been used in the present comparative study on CSR practices. The study relies on primary and secondary data collected through various resources. The primary data is collected through questionnaire. For secondary data, annual reports for the last three years have been collected from websites, journals and many other sources. A total of 497 companies have been studied for this purpose. Apart from this, 19 banking sector companies have been studies. Of these, 12 are in the public sector and 7 are in the private sector. The past projects and themes of 81 companies also have been studied in much detail. The companies of relevant data have been collected belong to 19 different sectors of the economy, for the purpose of inter-sectoral comparison, analysis and findings. On the basis of the results and findings, conclusions and suggestions have been given.

1.5 Theoretical Framework

Theoretical framework of the research focuses on definitions, factors, scope of CSR in different regions. To understand the relationship between the corporate world and society for socio-economic development, various models have been proposed.
1.6 CSR Pyramid Theory

The defining, measuring and evaluating of CSR activities have been found to be a difficult task for the researchers and governments and other stake-holders involved. To overcome the difficulty, various models have been attempted to define and what can be reasonably included in the CSR activities. The Corporate Social Responsibility pyramid of Carroll is an important model. To understand CSR from various perspectives, Carroll has proposed a wide-ranging definition, which covers four kinds of social responsibilities for business: economic, ethical, legal, and philanthropic.

The Carroll’s CSR pyramid, encompassing the above four-part perspectives, namely economic, legal, ethical and philanthropic, is the single-most valuable theory. It is concerned with the content of a firm's social responsibility. According to Pinkston and Carroll, the basic responsibility of a company is economic in nature, for its primary objective is to earn a profit and for this purpose to pursue growth in a legitimate way, and to provide society with goods and services at fair prices (Pinkston and Carroll, 1996).

The four-part conceptualization of CSR pyramid of Carroll includes the idea that the corporation has not only economic and legal obligations, but ethical and discretionary responsibility for philanthropy as well (Carroll, 1991). The latter two aspects, namely, the ethnic and philanthropic, have assumed more importance in recent years.

The CSR Pyramid can be used to measure a firm’s level of CSR on the basis of how the firm fulfills its responsibility towards socio-economic development of the
society. Korkchi and Rombaut (2006) has drawn the CSR Pyramid, based on Carroll (1991), as in the following figure 1.1.

![CSR Pyramid Model](image)

**Figure – 1.1 : CSR Pyramid Model**

### 1.6.1 Economic Responsibility

Earning a profit is the very need and responsibility of a firm. As per Carroll (1991), businesses are created as economic entities to provide goods and services to the members of the society. The logic of capitalism and the working of markets dictate that businesses earn profit for their survival and expansion. In the CSR Pyramid model, the economic responsibility is the most primary and fundamental one for a business. Its all other responsibilities are mainly dependent upon the fulfillment of the economic responsibility of the firm and the others are less significant, because if a firm is not successful economically, it will not be in a position to take up other responsibilities. For this reason, Carroll’s CSR pyramid (1991) has at its base the
economic responsibility. Without the strength of this base, the performance of other three responsibilities will be weak and unsustainable.

If a firm is not earning profit, it cannot discharge its responsibility to its shareholders. If the firm is not able to provide high-quality of goods and services to meet consumers’ needs, it cannot be considered socially viable. These responsibilities are required to be met by the firms not only for their survival and growth, but also to meet the needs of the people (Carroll, 1991). The basic economic responsibilities are thus the foundation upon which all other responsibilities of a business firm rest.

Table - 1.1 : Economic Component of Corporate Social Responsibility

| To perform consistently, to maximize earnings per shareholder; |
| To be committed to being as profitable as possible; |
| To maintain a strong competitive position; and |
| To maintain a high level of operating efficiency. |

Source: Carroll 1999

1.6.2 Legal Responsibility

Businesses have to pursue its economic responsibility within the confines of a legal framework. They have to comply with the laws and regulations promulgated by governments at the federal / central, state and local levels as these are the ground rules under which business must operate (Andrew, et al., 2008). Legal responsibilities include fairness in operations as defined by the law. Though the legal responsibility is placed in the CSR pyramid at the level immediately above the level of economic responsibility, it must be seen as co-existing with the economic responsibility. Thus, we can say that maximizing one’s profit while obeying the
rules and regulations set by the government is the basic and primary responsibility of a business. According to Carroll’s (1979) definition of legal responsibility, it is the expectation of the society that business entities follow the rules while performing its basic function of providing goods and services to the society. Whenever business organizations deviate from the law, the society, through the institutional mechanisms, encourages or compels them to adhere to the laws.

### Table - 1.2: Legal Component of Corporate Social Responsibility

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>To comply with various federal/central, state and local government rules and regulations.</td>
<td></td>
</tr>
<tr>
<td>To provide goods and services that at least meet minimal legal requirements.</td>
<td></td>
</tr>
<tr>
<td>A successful and responsible firm is the one that fulfils its legal obligations.</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Carroll 1999*

### 1.6.3 Ethical Responsibility

Ethical responsibility refers to the activities and practices which the society expects a firm to undertake or which it prohibits the firm from doing even when such activities and practices are not covered by the laws formulated by the governments (Carroll 1979). As there is no much explanation by Carroll beyond what is implicit in the above statement, ethical responsibility cannot have a definition in strict sense. Levy (1972) stated that ethics are simply values in action and, therefore, they tend to change as societal values change over a period of time. Ethical responsibilities are about accepted norms and standards that society expects from the firm. They reflect the firm’s concern for what consumers, employees, shareholders, and the community in general expects the firm to do or not to do while pursuing its
legitimate interests. Therefore, ethical responsibility can be said to be falling in the domain of morality and fairness.

It is observed that, in some cases, ethical norms and standards precede the establishment of law, rules and regulation. It can also be seen new values and norms often emerge which the businesses are expected to meet, even if compliance with such new values may require a higher standard performance. Henderson (2001) points out to a dilemma for the firms when he observes it is difficult for firms to decide what kind of moral and ethical standards they have to adhere to mirror the society. For, there could be different voices. The demand of very critical non-governmental organizations, for example, could be quite at variance the demands of the general society. There is also a dynamic process to be taken note of. This consists in the process by which what has been considered earlier as “ethical” becomes part of the “law”. This happens when there is a strong consensus in the society in favour of bringing about such change (Carroll, 1991).

**Table - 1.3 : Ethical Component of Corporate Social Responsibility**

<table>
<thead>
<tr>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>To perform business functions only in such a manner as to be in consistence with the expectations of the mores and ethical norms of the society.</td>
</tr>
<tr>
<td>To prevent ethical norms from being compromised while pursuing corporate goals. Adherence to moral and ethnical norms defines good corporate citizenship.</td>
</tr>
<tr>
<td>To recognize that corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.</td>
</tr>
</tbody>
</table>

*Source: Carroll 1999*

1.6.4 Philanthropic Responsibility

At the top of the CSR Pyramid is the philanthropic responsibility. It reflects the
society’s expectation that the firm be a good citizen of the society. Philanthropic responsibility refers to the voluntary actions of a corporate entity to be counted as a good corporate citizen. In this, the corporates contribute its resources to the community for improving the quality of life from all perspectives. The difference between ethical and philanthropic is that the philanthropic does not fall in the ambit of the ethical or moral responsibilities of the CSR. Philanthropic is purely voluntary and discretionary acts of giving in charities. Companies or corporations cannot be branded as unethical or immoral if they are not engaged in philanthropic activities. For this reason, though philanthropy is highly desired and prized, it is less important than the other three “CSR” responsibilities.

**Table - 1.4 : Philanthropic Component of Corporate Social Responsibility**

| To engage in philanthropic & charitable activities in order to meet the expectations of society; |
| Managers and employees participate in voluntary & charitable activities within their local communities; and |
| To voluntarily contribute to or assist in the projects that will enhance the quality of life of members of the society. |

*Source: Carroll 1999*

The four distinct components of the CSR Pyramid together can be said to constitute a whole. Even though the responsibilities under each component have been explained and treated separately, they are not to be taken as mutually exclusive (Carroll, 1991). Carroll’s CSR Pyramid, with its four levels -- economic, legal, ethic and philanthropic -- and its ascription of relative importance to each of the four, is arguably the most well-known model of CSR. The relative importance of the four levels can be seen understood from the observation by Windsor (2001) that the
economic and legal responsibilities are socially required” or “mandatory”; ethical responsibility is socially “expected”, and the philanthropic responsibility is socially “desired”. It has also been argued that the responsibilities falling under each of the four components constitute a single basic requirement under the social responsibility of a business firm (Windsor 2001).

1.7 Principle of United Nations

Apart from the CRS Pyramid, a number of other instruments and tools are available for gauging corporate social responsibility practices of business entities. However, the UN Global Compact and Global Reporting Initiative (GRI) have been preferred over others, because the Global Compact has been initiated and enthusiastically supported by the United Nation, the only forum representing all the countries of the globe and also enjoying due respect for its decisions from a majority of its member states. There are four broad areas encompassing the Global Compact principle, namely, (1) Human Rights, (2) Labour Standards, (3) Environment, and (4) Anti-Corruption.

1.7.1 Human Rights

• Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.

• Principle 2: Make sure that they are not complicit in human rights violations.
1.7.2 Labour Standards

- Principle 3: Businesses should uphold the freedom of association and recognize the effective right of labour to collective bargaining.

- Principle 4: Businesses should eliminate of all forms of forced and compulsory labour.

- Principle 5: Effective abolition of child labour.

- Principle 6: Elimination of all kinds of discrimination in employment and occupation.

1.7.3 Environment

- Principle 7: Businesses should support a precautionary approach to Environmental challenges.

- Principle 8: undertake initiatives to promote greater environmental protection.


1.7.4 Anti-Corruption

- Principle 10: Businesses should work against all forms of corruption, including extortion and bribery (source: www.unglobalcompact)
1.8 Concept of CSR

Currently, Corporate Social Responsibility (CSR) has become a major concern for corporate organizations in different parts of the world. While there is a conception of it as a voluntary undertaking by the corporate entities, it can also be viewed as a result of the pressures exerted on them by the governments and society. Whether voluntary or under perceived pressure, the contributions that the corporates make towards the objective of sustainable socio-economic development is termed as Corporate Social Responsibility. Conceptually, CSR is the integration of social and environmental concerns into business operations. It represents the contributions made by the companies to the society through such activities and investments which are not necessarily part of their essential business concerns. The concept of CSR is linked with the principle of “sustainability”, which implies that business enterprises should be concerned not only with profits or dividends, but also with immediate and long-term social and environmental consequences of their business activities. In essence, CSR is the compensatory responsibility of a business entity for any adverse impact of its activities on the society and environment. The emergence of the concept of CSR has added the factors of societal impact and environmental impact of a business activity to the standard accounting framework of a company, giving rise to the Triple Bottom Line (TBL or 3BL) approach in evaluating the cost and benefit of the company. This is the result of the advocacy of the champions of human rights and environment who have brought into the attention of the public and governments the need for a full cost accounting of a company’s performance by showing in the “bottom-line” of account not only the financial profit or loss of the company, but also the positive or negative social and environmental impact of the company’s performance.
The Triple Bottom Line (3BL) approach postulates that an organization needs to pay attention to 3Ps, i.e., “People”, “Plant” and “Profit”.

Attention to People means the corporate organization’s responsibility towards labour, the people in the community and the region in which or in close proximity to which the corporate organization operates and conducts its business activity. The People-oriented principle in the CSR is that the corporate entity needs to be sensitive and supportive to the needs of the society, just as the society’s acceptance and support is needed for the sustainable operation of the corporate entity.

Attention to “Planet” points to the corporate’s responsibility to protect the environment in which it operates through sustainable environmental practices. This aspect recognizes the causal relationship between corporate organization and the planet earth and demand from the organization various measurers required to be undertaken by it such as desisting from polluting the soil, water and air by way of harmful and destructive products or bye-products like toxic chemicals, radio-active or other dangerous metals, etc.

**Profit, defined as the added value created by the business organization during its operation,** is the logical primary concern and the main objective of a business organization. Business organizations try to maximize profit through various management and operational strategies, such as the simplification of the processes involved in production, eliminating inefficiency in the operations, saving of time and quantity of materials through adoption of new technologies etc.

Recognizing that adherence to Corporate Social Responsibility will redound to the goodwill and brand name of the company, responsible business organizations are adopting sound CSR practices as part of their core business strategy. In this, there is
the recognition that the CSR is not a charity, but a necessary commitment to do good to the society in return for dividend that will accrue to the business in various forms, such as competitive edge in a world which is more and more conscious of the need for clean environment and green products.

1.8.1 Definitions of CSR

The first mention of “Corporate Social Responsibility” as a distinct concept was made by William J. Bowen in 1953 in his paper “Social Responsibilities of Businessmen”. Since then there have been many different definitions of CSR by individual authors and institutions.

According to Bowen, businessmen’s are socially responsible to pursue such policies and make such decisions and actions which are desirable to promote the objects and values of the society.

European Commission defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and interaction with their stakeholders on a voluntary basis.”

World Business Council for Sustainable Development defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

Definition of CSR by Forbes (2010) envisages a two-way interaction in which the company “gives back” to the society and when the people get to know the help of the company in the cause of their welfare and development, they support and cater
to the products and services of that company. In this way both the business and society benefit.

**According to Infosys founder, Narayana Murthy,** CSR is the social responsibility of an organization to create maximum value for the society, which is an important stakeholder of the organization in the sense that it provides investors, employees and customers to the organization. A socially responsible organization has to work in such a way as to be fair to all stakeholders who include consumers, workers, community as a whole, and the government and also the natural environment.

1.8.2 Benefits of CSR

Of late, business organizations have come to recognize that the value of CSR as an important way for achieving business competence and thus to be successful in the competition. Some of the benefits of CSR to company, community and general public and to the environment are as given below:

1.8.3 Benefits to the Company

1. Improved financial performance

2. Lower operating costs

3. Safety of products and decrease in liability

4. Diversity in workforce.

5. Easier access to capital

6. Reduced subjection to regulations
7. Increased ability to satisfy employees and thereby to attract and retain employees

8. Increase in productivity and in quality of production

9. Increased sales and customer loyalty

10. Better brand image and goodwill

1.8.4 Benefits to the Community and the General Public

1. Contribution by corporates to education of community, employment generation and different other social programmes like provision of homes to the homeless.

2. Guarantee of safety and quality of products

3. Contributions in the form of charities

4. Employee volunteer programmes

1.8.5 Environmental Benefits

1. Avoidance of harmful effects of materials though their recycling

2. With the increased use of renewable resources, protection of scarce energy resources.

3. Through increase in durability and functionality, reduced rate of use of natural resources, leading to their saving for the future generations, etc.

4. Benefits accruing from integrating environmental management tools into business management and operations.
1.9 India and CSR

CSR is not new to India. The concept CSR in India emerged and practiced in different phases, as discussed below.

The earliest phase and form of CSR in India can be said to be the period when the well-to-do merchants to giving daans or charity on certain occasions, mostly religious. In the pre-Industrial period, up to 1850s, rich merchants had contributed to the traditional social causes like building of temples. The merchant class occupied an important place of status in ancient India. Many wealthy merchants used to provide relief and assistance to the common people during the times of different kinds of crises, such as famine or epidemics (Arora, 2004). Such charity and philanthropic contributions were mainly influenced by culture, religion, family tradition and moral dictates for community development. Such activities being voluntary, it can be said that during this first phase of social responsibility of businessmen, the CSR engagement was based mainly on corporate self-regulation. This oldest form of social responsibility continues even today and form major part of the CSR practices of many companies in India.

The nature and content of social responsibility underwent change after the introduction, from 1850s onwards, of western type of industrialization in Indian under colonial rule. The pioneers of India’s industrialization in Indian in the Nineteenth century, like Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhania, Modi, Mahindra and Annamali, were devoted philanthropists (Mohan, 2001). Many of them were not simply interested in building up business enterprises of their own, but they were also acclaimed champions of national development and the progress of the Indian society as a whole. For this distinct flavour of the
commitment, it can be said that this period constituted a second phase in the evolution of CSR in India.

The period from 1914 was dominated by the leadership of Gandhi ji to India’s Independence struggle and the businessmen during this period was particularly influenced fundamentally by Gandhi’s theory of trusteeship. Gandhi conceived the idea of trusteeship as a way of bringing about a measure of equity in social development. From hindsight, the trusteeship concept of Gandhi ji can be seen as an element of the idea of CSR evolving over time. During this period, Indian businesses actively engaged in the reform process. Under Gandhi ji’s influence, Indian business leaders of the time gave increased attention to the general socio-economic reform. They saw the economic development of country as a necessary means to liberate Indian society from the evil effects of colonial rule. Therefore, they made large contributions to the nationalistic efforts for institutional and social development (India Partnership Forum 2002). In the post-Independence period, the concern for the socio-economic development encompassing the masses of the Indian people resulted in the adoption of the “mixed economy”, which while focusing on the country’s industrial development, also took care of the welfare of the people in general. It is important to note that India’s big industrialists of the time sided with the Nehru’s idea of mixed economy for bringing about a socialist-oriented society as revealed in their Bombay Plan. The period from 1914 to 1960 can be considered as a distinct third phase in the evolution of CSR in India because of the characteristic willingness and conscious orientation of business leaders of the time towards social development in the country.

The period from 1960 to 1980 can be described as the fourth phase of CSR in India. During this period, there was an emphasis in the governmental policy on the need for
bringing the major business and industrial activities into the public sector. The logic behind this move was that public sector units or undertakings (PSUs) will best safeguard the welfare of the common people and will serve the purpose of bringing about a balanced and equitable growth in the country (Arora, 2004). This meant that the objective of equitable growth could not be possible by relying on “self-regulation” by private businesses and industries. Simultaneous with the establishment of PSUs in the core sectors of the economy, the Government also moved to institute a regime of legal regulation of private business activities. Thus, the 1960s came to be seen as an era of “command and control”. The “command and control regime” was characterized by higher rate of taxes, licensing and quota systems, etc., all of which amounted to tight restrictions on the private sector. It has been argued this tightening of controls and the consequent loss of liberal freedom for the operation of businesses led to malpractices. This in turn led to various issues in corporate governance, labour rights and protection of environment, all of which became part of political agenda and then subjects of various social, labour and environmental legislations.

Starting from the 1980s to the present constitute the latest stage in the evolution of the CSR. During this period Indian Government took a far-reaching policy decision to liberalize and deregulate business operations and to move towards privatization of the economy. This process started in earnest in the beginning years of 1990s. The failure of the “mixed economy” to bring about the required rapid economic development in the country, forced the Government to usher in a market-oriented economy and to integrate the Indian economy into the global market, which is known as “globalization”. In the post-liberalization and globalization period, i.e., from the middle of the 1990s onwards, as businesses boomed, the Indian economy consistently experienced on an average a sound growth, which has persisted to the
present day (Arora & Puranik, 2004). However, in this radically changed economic scenario, there also arose concerns about the need for fostering inclusive development. The adoption of the concept of Corporate Social Responsibility can be found to be a response to these concerns raised not only by the critics of market economy but also by even the supporters of liberal market economy. For the latter, ensuring inclusive growth is a necessary condition to avoid the possibility of wide disparities and inequities which may result if free reins are allowed for unethical business practices, which disregard societal concerns. It can be seen that the UN and other international organizations have played an active role in making the CSR an important part of business operations and strategy for recognition and success of business organizations.

1.10 CSR Initiatives from Indian Companies

The following Table gives an overview of the situation of Indian companies with regard to their CSR practices.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Company</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>Hindalco</td>
<td>Its Integrated Rural Poverty Alleviation programme received Asian CSR Award</td>
</tr>
<tr>
<td>Corporate Giving</td>
<td>Indian Oil Corporation</td>
<td>earmark 0.75% of net profit to initiatives in community development</td>
</tr>
<tr>
<td>Health</td>
<td>Larsen and Toubro</td>
<td>One of the first to initiate an HIV/AIDS programme</td>
</tr>
<tr>
<td>Gender Equality</td>
<td>NTPC</td>
<td>One of the few organizations to adopt a policy for granting paternity leave</td>
</tr>
<tr>
<td>Labour Standards</td>
<td>ITC</td>
<td>First Company in India to be certified with “SAB8000 social accountability standard” for its Chirala facility.</td>
</tr>
<tr>
<td>Human Capital</td>
<td>Infosys</td>
<td>Pioneering evaluation of human capital using an education index for its employees</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Environmental Management</td>
<td>BHEL</td>
<td>All BHEL units are certified to ISO 14001 environment management system.</td>
</tr>
<tr>
<td>Energy Conservation</td>
<td>Reliance</td>
<td>Energy conservation measures are saving the company 1150 million Rupees per annum</td>
</tr>
<tr>
<td>Water conservation</td>
<td>Hindustan Sanitaryware</td>
<td>Reduced flushing WCs is estimated to save 2 billion liters of water.</td>
</tr>
<tr>
<td>Disclosure</td>
<td>Tata Steel</td>
<td>First Indian company to publish a sustainability report in the line with Global Reporting Initiative guidelines.</td>
</tr>
<tr>
<td>Employment Opportunity</td>
<td>Sakthi Masala</td>
<td>TERI CSR Award for offering employment opportunities to disabled and establishing rehabilitation center for the needy.</td>
</tr>
<tr>
<td>Health Care Services</td>
<td>Usha Martin Ltd.</td>
<td>TERI CSR Award for providing health care services to women and children.</td>
</tr>
<tr>
<td>Rural Development</td>
<td>HLL</td>
<td>TERI CSR Award for Vindhya Valley Programme for sustainable livelihood to rural people.</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Vedanta Aluminium Limited (VAL)</td>
<td>International Safety Award by British Safety Council, London, one of the world's leading Health and Safety organizations.</td>
</tr>
</tbody>
</table>

**Source:** Adapted from “Rationale for Corporate Social Responsibility in India”, The Financial Express, 22 Dec. 2004 and published data on company web sites.

The information in the above Table testifies the fact that, at present, there is increasing realization among Indian companies and their stakeholders about the need to shoulder a certain extent of responsibility towards societal obligations. To fulfill these obligations, the Indian businesses seem to be willing to allocate resources and make managerial efforts for CSR activities, going beyond the primary
task of satisfying the goal of maximizing returns for their shareholders’ risks and investments. Whether this is prompted by voluntary ethical and moral considerations, or whether it is the outcome of a conviction that business could be successful in the long-term only if it contributes to the greater needs of the society than the supplying of goods and services, is a question which could perhaps not be answered immediately with the available data and information. It would seem from the limited information available of the CSR practices of Indian companies that they have begun to accept the thinking which is currently in vogue among global business leaders and organizations that businesses that fail the societies will not be able to survive for long. In any way this thinking is particularly important in the Indian context in view of the wide gaps in socio-economic development of different sections of society, extreme kind of disparities in income, and in educational and health standards. Considering this position, it is a positive development that Indian companies have achieved recognition for their shouldering of social responsibilities. India ranks among the top ten countries in Asia in giving importance to CSR disclosure norms. It is also a positive development that, apart from public sector companies, many corporate entities in the private sector are also pro-active in taking up social responsibilities.

1.11 The Key Drivers for CSR

Many companies think that CSR is a peripheral issue for their business and that customer satisfaction is more important for them. Some of the drivers pushing businesses towards CSR include:

a) Reputation and Direct Economic Value: The companies are increasingly becoming aware that they can earn goodwill and reputation from the society
and government if it, even while pursuing the basic business objective of earning profits, also could contribute to the wider social and development objectives. Because of this awareness, the companies are driven to adopt CSR into their business strategies as an investment to reap benefits from. In many cases, the companies are also finding that their CSR activities could be translated into economic value and are chalking out strategies accordingly.

b) **Laws and Regulations:** Many Governments in the world including in India are adopting laws and regulations regarding CSR and are making companies liable to follow these rules and regulations. This is an important driver pushing the companies to adopt CSR. Clearly, in this regard the agenda for the companies is being set by the Governments. This agenda-setting is often dictated by the need felt by the Governments to deter companies from doing harm, through their business activities, to the well-being of the people and to the safety of environment. There are both supporters and opponents to such agenda-setting by the Government. For the former, it is necessary for the Governments to make companies responsible through laws and regulations as the companies on their own will be reluctant to take up responsibilities. The opponents to governmental action in this regard consider that any force on the part of the Government is likely to be resisted and, therefore, there would not be sincerity of intent on the part of the companies in taking up CSR activities.

c) **Competitive Labour Markets:** With the spread of education and change in attitudes, educated and skilled labourers are likely to opt for those employers who care to value their freedom and well-being. In this scenario, companies are encouraged to improve working conditions and introduce measures for
their welfare and satisfaction. Skilled and satisfied labourers tend to contribute to more productivity. Recognition of this fact is a driving force behind the adoption by many companies of CSR practices relevant to labour welfare. Measures for labour welfare is also being mandated on companies by national and international regulations, in particular by the regulations of the International Labour Organization (ILO), especially meant for multinational companies.

d) **Philanthropy:** Regard for ethics and moral responsibility continues to be an important driver behind adoption of philanthropic activities by many corporate organizations.

e) **Ethical Consumerism:** Another factor contributing to the adoption of CSR by companies is the perceived growth of “ethical consumerism”. Ethical consumerism refers to the conscious consumer behaviour at individual level on the basis of ethical issues such as social justice, human rights, environment, animal welfare etc. Over the last two decades, a growing number of conscientious consumers have begun to prefer the products and services of those companies which conform to their ethical concerns.

f) **Globalization and Market forces:** In the era of globalization and world markets, corporate organizations have to abide by various international regulations including tariff regulations many of which have social, human rights, labour and environmental concerns and safe-guards built into them. Corporates have begun to recognize that by bearing responsibilities to meet these concerns, they can have a competitive edge in the globalised market over others who fail to take up such responsibilities.
g) **Social Activism and Media Scrutiny:** Social responsibility of corporates is also being ensured by the pressure of different stakeholders such as Non-Governmental Organizations (NGOs). Besides, corporate organizations are increasingly being subjected to scrutiny in the media all over the world. There is increasing political and non-political collective activism on issues concerning the possible adverse effects of corporate activities.

h) **Inter-Relations among Partner Companies:** Interactions among distinct business entities are also beginning to be affected by the social responsibility concerns. For example, in the milieu of increasing scrutiny by the public and opinion-making bodies, a company may require other companies who are their partners in business, such as suppliers or distributors, to adhere to the public expectations regarding socially responsibility. There is fear that non-compliance by one partner can put the reputation of the other into jeopardy.

1.12 **Codes & Standards for CSR**

There are a number of codes and standards which have been evolved and recognized internationally with the objective promoting social and environmental responsibilities of business organizations. Some of these are discussed below:-

1. **Global Reporting Initiative (GRI):** GRI is a global organization, which advise the corporate organizations and governments on issues of sustainability like environmental impact, corruption and human rights. The objective of the GRI is to empower Governments and business organizations to take decisions in favour of achieving the goal of sustainability in
development. This empowerment is made possible through the provision of required information on sustainability issues. It issues guidelines from time to time on dealing with these issues for the benefit of business organisations, governments and other stakeholders. It formulated a “Sustainability Reporting Guidelines” in 2006 [Version 3.0(G3)], which adopted a standardized approach to reporting on compliance with sustainability performance. These Guidelines encompass a set of indicators under different sections. The section on “Human Rights” consists of nine indicators on which the performance of business organizations could be assessed. The reporting by business organisations is voluntary. A majority of the world’s largest corporations is said to have reported their sustainability performance under the GRI’s sustainability reporting standards.

2. **UN Global Compact Initiative:** The Global Compact Initiative was launched in 1999 by the United Nations Secretary-General, Kofi Annan. It is a platform of large businesses, trade unions, environmental and human rights groups, formed to share views on corporate social responsibility towards Sustainable Development Goals (SDGs). It has been envisaged as a minimum platform based on fundamental values for encouraging good corporate practices in accordance with the global sustainability principles. Signatories to the Compact voluntarily commit themselves to adhere to and abide by a pact consisting of nine principles.

3. **Social Accountability 8000 (SA 8000):** This is a standard code of practice for social accountability created by the Council on Economic Priorities Accreditation Agency (CEPAA) in 2008. This code of practice is focused on nine key areas, namely, (1) child labour, (2) management systems,
(3) working hours, (4) compensation, (5) disciplinary practices, (6) forced labour, (7) health & safety, (8) freedom of association and collective bargaining, and (9) discrimination.

4. **International Organization for Standardization (ISO) 26000:** An International Standard setting body, ISO has developed a new standard on social responsibility, namely, ISO 26000. ISO 26000 is meant for all types of organizations in all countries. It helps organizations to be socially responsible in their activities, i.e., in the processes of bringing out their products for the consumers. According to ISO 26000, there are seven fundamental subjects of CSR as follows:

- Environment
- Labour practices
- Human rights
- Organizational governance
- Fair operating practice
- Consumer issues
- Social development

There are also other generic management system standards developed by ISO such as ISO 9001:2000 (quality) and ISO 14001:2004 (environment).

6. **Occupational Health & Safety Advisory Services (OHSAS) Standard:**

Besides ISO Standards, there is also the OHSAS 18001 which has been
developed by the joint efforts of the world’s leading standard-setting and certification bodies in collaboration with specialist consultancies. OHSAS 18001 has been developed for adoption by any organization desirous of establishing a health and safety management system at workplace.

The ISO and OHSAS standards can be adopted by any organization, large or small, in any sector of the economy, and irrespective of whatever it is a business organization, or a public sector organization, or a government department. These standards are compatible to each other and they have some overlapping features.

7. **Organization for Economic Co-operation and Development (OECD)**

**Guidelines for Multinational Companies:** OECD guidelines contains recommendations on core labour and environmental standards, human rights, competition, taxation, science and technology, combating corruption and safeguarding consumer rights. These guidelines encourage Multi-National Companies (MNCs) to contribute to local capacity-building while undertaking their activities in local communities.

1.13 **Indian Government’s Initiative on Corporate Social Responsibility: The Companies Act 2013**

The CSR in India is governed by Section 135 of the Companies Act, 2013. The Act was passed by both the Houses of Parliament of India in 2013. It received the assent of the President of India on 29 August 2013. The provisions under Section 135 of the Act are applicable to all companies which have an annual turnover of Rupees 1,000 crore and more, or a net worth of Rupees 500 crore and more, or a net profit of
Rupees 5 crore and more. The new rules, which were made applicable from the year 2014-15 onwards, require the companies to set-up a CSR Committee consisting of their board members including at least one independent Director.

The Act stipulates that the companies specified in the Act should spend each year at least two percent of their average net profit made in the previous three years on activities indicated in the Schedule VII of the Act. The Rules made under the Act define “net profit” as the “profit before tax” as per the company’s books of accounts. Profits accrued from branches outside India are excluded from the purview of the Act.

Schedule VII of the Act contains a set of activities that could be taken up by companies under their CSR programme. The activities listed under Schedule VII are indicative. While deciding on the activities, the Companies may take into account the local conditions. The activities listed in Schedule VII are the following:

(i) Eradicating hunger, poverty and malnutrition; Promoting health care including preventive healthcare and sanitation, including contribution to the Swachh Bharat Kosh setup by the Central government for the promotion of sanitation and making available safe drinking water.

(ii) Promoting education, including special education and employment-enhancing vocational skills, especially among children, women, elderly, and the differently-abled and livelihood enhancement projects.

(iii) Promoting gender equality; empowering women; setting up homes and hostels for women and orphans; setting up old-age homes; day-care centers
and such other facilities for senior citizens; and measures for reducing inequalities faced by socially and economically backward groups.

(iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conversation of natural resources and maintaining quality of soil, air and water including contribution to the ‘Clean Ganga Fund’ set-up by the Central Government for rejuvenation of river Ganga.

Figure 1.2 : CSR Activities under Companies Act
(v) Protection of national heritage, art and culture including restoration of building and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.

(vi) Measures of benefit for armed forces veterans, war widows and their dependents.

(vii) Training to promote rural sports, nationally-recognized sports, Paralympic sports and Olympic sports.

(viii) Contribution to Prime Minister’s National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, Other Backward Classes, minorities and women.

(ix) Contributions of fund provided to technology incubators located within academic institutions which are approved by the Central Government.

(x) Rural development projects.

(xi) Slum area development.

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1 Item no (xi) and phrases in italics under items no (i) and (iv) have been inserted in Schedule VII of the act through amendments subsequent to gazette notification on Schedule VII dated 27 Feb 2104. Details of the amendments are given below

a) First amendments was notified on 31st March 2014, which included healthcare including preventive healthcare in item (i) of the schedule.

b) Second amendment was notified on 6th Aug 2014, which inserted Slum Area development as item (xi) in the schedule.

c) Third amendment was notified on 24 Oct 2014, this included a) “Contribution to swachh Bharat Kosh setup by the Central Government for the promotion of sanitation” under “sanitation in item no (i) of the schedule; and b) Contribution to clean Ganga fund setup by the Central Government for rejuvenation of river Ganga in item (iv) of the schedule.
The Rules under the Act provide a number of explanations and clarifications. Important of these explanations and clarifications are as follows:

- Any surplus that may accrue from CSR activities have to be re-invested into CSR activities. This surplus will be over and above the 2% stipulated in the Act.

- A company can implement its CSR activities through the following methods:
  - Directly on its own
  - Through the Non-Profit organization set up by the company to facilitate its CSR activities
  - Through NGOs that have a record of at least three years in similar or related activities
  - Collaborating or pooling their resources with other companies
  - Only the activities undertaken within India will be considered under CSR
  - Activities meant exclusively for employees and their families will not qualify to be considered under CSR

The Rules stipulate a format for the Board to report on its CSR policy and activities. This format includes information to be furnished on the company’s CSR policy, total amount spent on the CSR, the amount unspent out of the prescribed 2 percent of the net-profit, the manner in which the CSR amount has been spent specifying details of activities, the place of activities, etc., the reasons for not spending the stipulated 2 percent of the net-profit.
Governance

Section 135 of the Companies Act provides what the Companies have to do to fulfill their CSR mandate. A Company has to set up a CSR Committee of its Board of Directors. The Committee shall consist of three or more of the Directors with at least one Director necessarily being an independent Director. The composition of the Committee has to be disclosed under sub-section (3) of Section 134 of the Companies Act. The Committee shall formulate the CSR policy of the Company which will inter alia indicate the type of activities that the Company would undertake keeping in view the Schedule VII of the Act. The Committee will also recommend to the Board the amount to be spent on these activities. The Committee is also charged with monitoring the CSR policy of the Company from time to time.

1.13.1 Reporting

Under the Act, the Board of the Company shall approve the CSR policy of the Company. In doing so, the Board will take into account the recommendations made by the CSR committee. The Board is liable to disclose the content of the CSR policy in its report under sub-section (3) Section 134 of the Act and also publish the details of the policy on the Company’s website, or in any other manner as may be prescribed. Under Clause (0) of sub-section (3) of Section 134 of the Act, if the company fails to spend the prescribed amount of two percent, the Board shall specify the reasons for it in its Report.
1.13.2 Role of Board and the CSR Committee

Figure 1.3: Role of Board and the CSR Committee

1.13.3 Business Responsibility Reporting

The largest listed Companies of India are also required by Securities and Exchange Board of India (SEBI) to report the details of actions taken by them on sustainability and responsibility. This is on the basis of the “National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business” formulated by the Ministry of Corporate Affairs, Government of India. A Circular issued by the SEBI on 13 August 2012 on the subject of “Business Responsibility Reports” mandates the Companies that they, in view of the above National Voluntary
Guidelines and also in view of the “large public interest of disclosure” regarding steps taken by the Companies from “Environmental, Social and Governance” (ESG) perspective, should include “Business Responsibility Reports” in their Annual Reports.

1.14 Composition of the Thesis

The present research study is structured into six Chapters (Fig 1.4). Chapter 1 provides the background information and the statement of the research problem. It also lays down objectives and research questions. This chapter also discusses the tools that are useful for defining and measuring the CSR activities of business organizations. These tools include international initiatives such as the United Nations’ “Global Compact” and “Global Reporting Initiative” (GRI). These tools help in encouraging CSR, giving shape to the policy and content of CSR, and also make the performance of companies in respect of CSR measurable and comparable.

The first chapter also indicates the significance of the study, the hypotheses and the methodology and sample design adopted in the study.

The second chapter discusses the term of CSR, its definition and important elements related to CSR, and literature review of earlier studies both in India and other regions.

The third chapter discusses CSR contribution by public and private sector business organizations. In this chapter, an attempt is also made to analyze the CSR contributions in different sectors.

The fourth chapter discusses in detail the research methodology, tools and techniques used in the research.
The fifth chapter deals with the findings and testing of the hypotheses.

The sixth chapter concludes the research and provides recommendations.

Figure 1.4 gives an overview of the different chapters in the thesis.