

# Corporate Social Responsibility- Global and Indian Perspectives: A Critical Study

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**Abstract**— Corporate Social Responsibility (CSR) has occupied a prominent room in the domain of Management, Law, Sociology, Philosophy and Economics during last seventy five or more years. CSR is also known as Corporate Citizenship, Corporate Responsiveness. CSR has become a subject of serious research after A. B. Carroll's invention of CSR Pyramid during early 1980s. The fundamental theory of CSR is based on the premise that there is a symbiotic relationship between business and society. Society is the owner of all the factors of production and business acts as the agent of the society for converting the inputs into output. Primarily the business has to earn profit since profit is the oxygen of business without no business can sustain. Next comes, business has to abide by the law of the land. Thirdly, ethics is the guide for decision making by the business under different situations and finally, business has to undertake philanthropic activities so that overall well being of the society is delivered. In India, the Companies Act, 2013 provides that certain categories of companies within the meaning of the said law are to mandatorily spend certain percentage of profit on CSR activities. CSR Reporting is compulsory in many countries in the globe which include Canada, Australia, Sweden, France, South Africa etc. This paper aims at throwing lights on the issues concerning meaning, scope and performance of CSR in the context of Multinational Corporations. It gives an outline of the meaning and significance of CSR initiative.

**Keywords**—Corporate, CSR Pyramid, Business, Multinational Corporations, Ethics, Legal, Economic and Philanthropic

## I. INTRODUCTION

Business is the subset of the society when the society itself is the universal set. Business cannot exist in vacuum but its existence is meaningful when it accepts the existence of the society. The relationship between business and society have been the interest of academics for decades influenced by the existing economic context at a specified point of time (Moir 2001). The idea that business has responsibility towards the society gained prominence since 1950s and 1960s (Carroll 1999; Lantos 2001). Over the decades, the concept of Corporate Social Responsibility (CSR) has continued to grow in importance and significance (Carroll & Shabana 2010). Business leaders, government officials and academics are focusing more and more attention to the concept of CSR (Reinhardt, Stavins & Vietor 2005). CSR has become the subject of serious and considerable debate, commentary, theory building and research in the context of today's society. The essence of CSR is that business organizations do have certain responsibilities to the society beyond that of making profits for

the shareholders since it draws all the necessary resources from the society only. Profit earning is the primary responsibility of business since no business can survive and sustain without the aid of profits. Today CSR covers a wide spectrum of subjects comprising of corporate governance, environmental protection, abiding by various laws and ethical issues. Milton Friedman, the noteworthy Nobel Laureate, of course, thinks that profit earning is the sole objectives of business (Friedman 1970). However, it is now a settled issue that CSR is very much concerned with the behaviour of business and over and above the legal and regulatory compliance. So far ever, there have been many legislations in the commercial world wherein it is established that business should definitely earn and increase profit but at the same time, it is imperative for the business to take care of the social causes and environmental issues. Under this backdrop and keeping this in forefront, CSR has emerged as an important responsibility of business in order to maintain its long term sustainability. A business cannot simply sustain simply on profit but it has to protect the surrounding environment for securing its own welfare and interest. The year of 2000 is of high importance and significance in the history of CSR practices in the globe when Mr. Kofi Annan, the then United Nations Secretary General launched the UN Global Compact (UNGC), the first CSR initiative at the international level. UNGC is the embodiment of ten principles concerning Human Rights, Labour, Environment and Anti-corruption. India is a developing Country and she suffers from not having provisions of basic necessities and it is the ultimate responsibility of the government to bring the economy on the egalitarian line which is the indicator of even distribution of national income and wealth. The Government has made laws and necessary provisions in the laws with regard to CSR initiatives and compliance thereof in the newly enacted Companies Act, 2013. This paper aims at discussing relevant issues and sketching an outline concerning global and Indian CSR practices and certain policy issues in the arena of CSR. The qualitative research methodology is the basis of the paper. CSR is emerging by leaps and bounds as an important and serious field of work in legal research. There is considerable debate in academics as to whether, CSR should be practiced on the basis of legal mandate or it should be a voluntary exercise as is currently being seen in the economically developed countries. It is indeed time consuming and long run episode for getting a conclusive answer to this note of interrogation and time would take care of this.

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## II. SCOPE , FUNCTIONAL DOMAIN AND HISTORICAL BACKDROP OF CSR

CSR is not just a plan that needs to be implemented in order to serve the society better but it is something more. CSR is a corporate governance action for generating social welfare. Many of use use CSR interchangeably with Corporate Social Performance (CSP) but they are altogether different in concepts. CSR is all about causing better living conditions of people whereas CSP refers to measurement of the performance of a company (Lau & Bhattacharya 2009). CSR is commitment of social initiative of business to behave ethically, legally and contribute to the cause of socio-economic development and sustainability of the society at large. CSR is to ethically take into consideration the social, economic and environmental issues and contribute to the socio-cultural and economic development of the country. Unless a business meets the needs and expectations of the customers, employees, shareholders and the community at large, it cannot survive and sustain in the long run. According to the Brundtland Commission Report, 1987, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This report inter-alia argues in favour of CSR as the effective tool and weapon for sustainable development. The Canadian Government defined CSR in more explicit manner. According to it, "CSR is generally understood to be the way a company achieves balance or integration of economic, environmental and social imperatives while at the same time addressing shareholders and stakeholders expectations". It is again the World Business Council for Sustainable Development offers to state, "We define CSR as business commitment to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life". This definition emphasized on CSR as a tool for sustainable economic development. The government of the United Kingdom provided that the government sees CSR as the business contribution to the sustainable developmental goals. Essentially it is about how business takes account of economic, social and environmental impacts in the way it operates. In the CSR Update, 2004, UK Government provides, "We aim to provide support, guidance and a flexible framework to encourage and enable UK business to behave responsibly to protect our environment. To facilitate action in this area we support innovation and sectoral sustainability strategies; produce guidelines and codes of practice; support services providing advice to business on a range of tools and techniques to improve its performance, including environmental reporting."

From the above discussions on definitional aspects of CSR, the following issues emerge:

CSR comprises of three words and they are corporate, social and responsibility. The term 'corporate' means organized form of formal business, the term 'social' means with the support of people everything is possible and the same is sustainable and finally the term 'responsibility' refers accountability between the business and society. CSR is a tool for sustainable economic development and it makes contribution to the overall wellbeing of the society and finally

CSR has is to take care of social, economic and environmental issues that makes a civil society sustain and develop. In the context of contemporary relevance of CSR, we may refer to Prof. Dean David at Harvard Business School who invited the future business managers to heed of the responsibilities that rest on the shoulders of business leaders (Sector 2008). Bert Sector enunciated that roots of the present CSR movement dates back the period 1945-1960. Sector makes it a point that CSR was used as the means of aligning business interests with the defense of free-market capitalism against what was then perceived to be the danger of Soviet Communism (Sector 2008). Frank Abrahams, a former Executive with Standard Oil Company (Now Exxon), New Jersey introduced concern about management responsibilities in a complex world (Abrahams 1951). Abrahams asserted that with the advent of professionalism in management, companies had to think not just about profits but their employees, customers and society at large. 1953 is a red letter day in the history CSR when Howard R. Bowen his famous book, 'Social Responsibilities of Businessman (Bowen 1953). This is the formal foundation of today's CSR. Thereafter came into the picture Prof. Theodore Lavitt and Milton Friedman who were considered to be the staunch opponents of CSR philosophy. Theodore Lavitt thought that social concerns and general welfare were not the responsibility of business but of the government. and that Business's job was to take care of more material aspects of welfare (Carroll & Shabana 2010). Finally A. B. Carroll appeared to be harbinger of the theory of CSR what we have today, Carroll's (1979, 1991) four parts definition of CSR view CSR in four dimensional domain and they are economic, legal, ethical and philanthropic. These responsibilities are the expectations placed on the companies by corporate stakeholders and the society as a whole (Carroll & Shabana 2010). It may therefore appear that CSR is the embodiment of all that four core imperatives that a to discharge as responsibilities towards the society. CSR refers to corporate social responsibility, corporate responsibility and corporate citizenship and all these three phases are used interchangeably. How CSR is practiced in a company depends upon the effectiveness of the corporate governance. Corporate governance specifies the rules of business decision making that apply to the internal mechanism of the companies. The set of norms and laws shape the relationship among board of directors, shareholders and managers as well as resolve agency conflicts. (Gill 2008).

## III. OBJECTIVES OF THE STUDY

Objective of the present study is to examine the degree of global and Indian CSR perspectives and practices. a Couple of hypotheses have been developed in order to arrive at the logical conclusion. CSR is a vast field of study and it shall not be possible to cover every aspect of CSR in this paper. The scope of this paper is to make us understand the relevance of global and Indian practices based on elements contained in Carroll's CSR pyramid. The CSR pyramid of Carroll shows the relevance of profitability, legality ethical issues and finally philanthropic dimension in terms of how to become a good corporate citizen. The objectives of the study is based on the introductory background of the subject.

#### IV. LITERATURE REVIEW

In order to understand the CSR problems and prospects, we need to undertake survey of the existing literature on the given field of study. Over a considerable period of time, there was academic debate as to why the companies should at all take into consideration social welfare aspects and it was argued that social responsibility of business is to increase its profits (Friedman 1970). Against the view of Milton Friedman, it was debated that CSR can be much more than a cost, a constraint or a charitable deal -it can be a source of opportunity, innovation and competitive advantage (Porter & Kramer 2006). Emerging markets are full of risks and characterized by either bad or weak public governance and administration, lack of public transparency, high level of bribery and corruption, poor records of human rights, inadequate of environmental safety and labour standards and high levels of poverty and inequality and therefore sustainability of business faces the note of interrogation (Nelson 2006). It is to keep in view that labour standard issues can damage an image of a company both nationally as well as internationally and Nike's Case in early 1990s is an example (Litvin 2003). In this case, it was reported that labourers were very poorly paid and they were unable to meet their necessities with such wages and Nike was exposed to negative criticism worldwide and it lost its corporate reputation. However, Nike corrected itself by taking care of the negativity including launching ' Re-Use-a Shoe Project' to recycle old, unwanted footwear (McDonald, London & Hart 2002). Coca-Cola Company implemented a programme to tackle HIV/AIDS in workplaces across the continent of Africa and this is a genuine social commitment of a company in discharging CSR.

From the above analysis, it emerges that business and society is complementary to each other and there is a symbiotic relationship between them. Profit is no doubt the motivational force for the business but it must take into consideration ethical, social and philanthropic perspectives in order to have a situation of 'Live and Let Live'. In the global arena, Multinational Corporations (MNCs), play a pivotal role in CSR imperatives and the domestic companies in many countries contribute adequately to the cause of CSR.

#### V. CSR PRACTICES AT GLOBAL AND NATIONAL LEVELS

The main objective of the present study is to understand the global and national practices of CSR. It also needs to understand the vision, mission and objectives of the corporate firms towards CSR. From the available secondary sources of information and data, we would like to portray the sketch of CSR practices and perspectives of the following companies forming the part of our research sample.

1. WIPRO: WIPRO, an Indian MNC, think that first and foremost responsibility of an organization is to run its business ethically and compliance with the law in letter and spirit. WIPRO practices in (i) unyielding integrity in every aspect of business (ii) treating people everywhere fairly and with respect-at the workplace as well as communities outside and (iii) demonstrating ecological sensitivity in thought and action. According to Mr. Azim Premji, the Chairman of Wipro Limited (1998), CSR aims at fundamental social development and in

Indian context, it is to achieve the objective of to make a just, humane and equitable society.

2. Tata Motors: According to Motors Annual Report 2014-2015, the company has launched a host of projects as its CSR initiatives under "health, employability, education, rural development, environment and drinking water projects. The Chairman of the Company maintains that Tata Motors means the society and the Society means Tata Motors.

3. TISCO: TISCO's CSR initiatives includes health, sanitation, education, rural development, sports, livelihood etc in order to uplift the weaker section of the society. Top management of the company is engaged in framing the corporate strategy for discharging CSR imperatives of the company. The Annual Report 2014-2015 of the company provides that TISCO discharges its CSR since inception voluntarily when there was no legal and regulatory compliance.

4. Aditya Birla Group: In the CSR Update 2015 of the Group, it states that the vision of the group is to actively contribute to the social and economic development of the communities in which the group operates. The Group's CSR initiatives specifically includes undertaking the projects concerning education, health and infrastructure development.

5. SAIL: Steel Authority of India Limited, one of the Public Sector giants, does have a very comprehensive CSR policy and initiative According to the Annual Reports of the Company and CSR Update, as on date, SAIL has established 54 Primary Health Centres, 12 Reproductive & Child Health Centres, 17 Hospitals and 7 Super Specialty Hospitals and providing specialized health care to more than 30 million people. Moreover, there is substantial amount of allocation of resources to education, connectivity, water & sanitation, vocational training, sports and preservation of Art and Culture.

6. Coca-Cola Company: It needs hardly any mention that Coca-Cola a MNC giant having business units all over the world. It has huge network with the bottling partners across Africa Continent and is running a programme to tackle HIV/AIDS in its workplace. The strategic management team is engaged in CSR Policy framing and documentation.

7. Unilever: Unilever is ceaselessly engaged in identifying new products and markets in low income communities in the world. Its CSR objectives include to provide quality product at the affordable price to the marginal income group of people in the society.

8. Vodafone: Vodafone has created a Community Phone Service Programme in South Africa to meet connectivity needs of the country at the affordable price in order to reach the unreached.

9. Virgin Atlantic: On February 24, 2008, Virgin Atlantic became the first commercial aeroplane operator to fly a plane partially powered by bio-fuels. But there is a debate as to whether bio-fuels can curb global warming.

10. General Motors: In 2002, General Motors launched the AUTonomy Project of \$1 billion initiative to reinvent the automobile around hydrogen fuel cell technology.

Multinational Corporations (MNCs) are under scanner to know as to whether they demonstrate socially responsible behaviour in the global operations. (Janes 2005). MNCs take CSR initiatives across the world to promote fundamental ethics

and universal values (Bennett 2002; Mohan 2006). The MNCs are taking many policy decisions for bringing about harmony between the culture of the host countries and the culture of the MNCs-both at the national and global levels (Jone, 2005) including international guidelines, multilateral agreements and trade treaties like North American Free Trade Agreements (NAFTA), the World Trade organizations(WTO), Association of South East Asian Nations(ASEAN)(Mohan 2006).

After going through the discussion on the global perspectives and practices of CSR, it may be worthwhile to assert that CSR is nothing but sacrificing profits in the social interest (Elhauge 2005). It may be put forth in another words that corporate organizations are imperatively required to share their profits with the society in order to ensure social wellbeing. Besides the domestic companies, MNCs have been playing a significant role in reducing disparity between the haves and have-nots through CSR policy and practices. In this context it may be asserted that law has prominent role in implementing CSR initiatives in any country including India.

#### VI. LEGAL ASPECTS OF CSR

CSR is linked with different areas of law including international law, corporate law, commercial law, law of tort and contract, procedural law, labour law, environmental law and criminal law and all of these laws contribute to the development of CSR(Lambooy 2014). In India, the Companies Act, 2013 provides for mandatory CSR practice of certain categories of companies. CSR directly or indirectly cannot work fruitfully without legal support or rather CSR cannot exist in legal vacuum. Legal support to CSR makes it implemented easily. All the major countries across the world do have good amount of CSR Practices. For instance, United States of America, United Kingdom, Canada, France, Japan, Germany and many more countries including India are having direct or indirect legal backing in CSR practices. In most of the countries, disclosure of material information in the Annual Reports of the companies is mandatory and this is practiced in compliance with the transparency and fairness.

#### VII. CONCLUSION

Law has definitely a prominent role in promoting CSR but CSR practice should go beyond law(FICCI 2012). Though it is still a debatable issue as to why companies shall be expected to go beyond in the context of CSR initiation and implementation and the forthcoming decades perhaps shall be needed to resolve this issue but it is invariably the law that makes it more simple to answer the problems of resource allocation and sharing of corporate surplus with the society in respectful manner. Moreover, legal mandates come into play when voluntary options fail. People of economically more advanced countries are more educated and consequently in general ethics and morality prevent them from committing any wrong but less developed countries are in general less disciplined and therefore legal support in such cases is indispensable perhaps. In this paper, we have examined the definitional domain, historical backdrop, support of literature survey for understanding spirit and essence of CSR, contemporary status of CSR practices by MNCs and allied issues concerning CSR

imperatives. From the overall analysis, fact, information and methodology adopted, it may be asserted in the final conclusion that CSR is the bridge between the companies and society and it acts as a powerful tool for maintaining economic balance in between the companies and the underprivileged in the society and therefore, civil society acknowledges the constructive roles which are being played by the companies through the CSR process and the companies should use CSR as a the medium to reach the unreached in the civil society.

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