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**JE - 18,Gupta Colony, Khirki Extn,  
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**E- Mail: [info@enrichedpublication.com](mailto:info@enrichedpublication.com)**

**Phone :- +91-8877340707**

# Journal of Corporate Social Responsibility

## Aims and Scope

The journal aims to bring the quality research articles, research studies and real world case studies in the domain of Corporate Social Responsibility and Sustainability. The journal is aimed at bringing the best of the knowledge in niche domain of CSR. The journal would cover the various facets of CSR & Sustainability comprehensively. The research papers based on the primary data analysis as well as secondary data analysis would be published. The real world case studies implemented in the different parts of the world would also be included. The tested and verified models for implementation of the Social Responsible business practices may be considered after close review by the expert review board. All the contributions submitted to this journal shall go through a double blind peer review and plagiarism check.

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# Understanding Corporate Social Responsibility, Charity and Philanthropy in Indian Context

**Uttam Sahoo**

<sup>1</sup>Tata Institute of Social Sciences, Mumbai, India

uttamsahoo91@yahoo.com

## **ABSTRACT**

*We're hearing a lot about Corporate Social Responsibility or CSR these days. We live in an age in which companies equivalent in wealth to countries' call the shots and control much of the earth's resources. As corporate intervene in the social life arenas, they are equally responsible towards society and the environment. CSR focuses on how business can continue its pursuit of wealth creation in harmony with the environment and society. Philip Kotler once told his students of Harvard Business School, "Even tomorrow when you will become rich then also ask a question to yourself, what are you doing with your life and what you have given to society?" There is a growing realization in India as well as in other parts of the world that corporations or corporate Industries has a larger social responsibility for building a sustainable model of development. This essay is an attempt to understand how corporate social responsibility (CSR) has evolved over the years in India and its understanding among companies. The understanding of CSR in India is still a confused subject between charity and philanthropy, as these two concepts are age old norms.*

**Key words Corporate Social Responsibility, Charity, Philanthropy, Society, Environment.**

## **INTRODUCTION**

Giving a universal definition of corporate social responsibility is bit difficult as there is no common definition as such. However, there are few common threads that connect all the perspectives of CSR with each other; the dedication to serve the society being most important of them. Corporate social responsibility can be seen as a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholder as well as environment. Most ideal definition of corporate social responsibility (CSR) has been given by World Business Council for Sustained Development which says, "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Thus, the meaning of CSR is twofold. On one hand, it exhibits the ethical behavior that an organization exhibits towards its internal and external stakeholders (customers as well as employees). On the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates (Naukrihub, 2009). It has been examined in the previous sections of how the need of the hour is CSR and how the focus on it has changed over the years, especially so with the gap that is growing wider between the economically advantaged and the disadvantaged ever since the development model since 1991 was initiated. Apart this, there have been international pressures from NGOs, civil society groups, international standards and other to cater to CSR.

This section deals with reviewing existing literature on CSR over the years and how it has progressed in the Indian and the western thought and literature. The patterns of CSR recently have also been examined apart from the strategy laden CSR approach discussed. The corporate social responsibility also called corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business<sup>1</sup> phenomenon has a history and is descendent in different ways across the different parts of the world. The cultures, traditions and diverse ideas of countries have shaped up CSR ideas differently and thus the western thought maybe dissimilar to the Indian one.

When we give charity we are focusing on the immediate need and the cause behind this impatient need of the disadvantaged. The future aspect is overlooked completely. Philanthropy and charity must thus be distinguished between each other because they are very different concepts altogether. Where there is charity a dependency is constructed permanently for the one who is receiving, but when it comes to philanthropy, the target is at the root of the issue or the cause behind the need. The idea behind philanthropy is futuristic whereas when it comes to charity it is more about now, that is, the immediate rescue. Etymologically speaking, philanthropy is about loving human beings, that is, preventing anything that causes issues and problems related to humans and their distress. Medically speaking, charity is like the nurse who dresses the injury and philanthropy will be more like the medical practitioner who works out the cause and reason behind the injury and works towards healing the injury internally with nurse as the assistant. In case of natural disaster and calamity like earthquakes, tsunami, floods etc. charity is of great help because that is when there is dire need to tackle the issue immediately but chronically affecting issues like dependency on charity, poverty, employment etc. requires philanthropy.

Warren Buffet, Chairman and CEO of Berkshire Hathaway donated thirty billion US dollars from his personal wealth to the Bill and Melinda Gates Foundation, with a focus on education and health (Marten and Witte, 2009). This makes it a Philanthropic gesture unlike a flood in Bihar which may get a

donation of say Rupees Five Crores from the Prime Minister's relief fund. Yet in most cases philanthropy and charity are considered same and are often used interchangeably, while there is a vast difference behind the intentions in both.

In a survey conducted by the Financial Times in 2005 reveals that "to Chinese consumers, the hallmark of a socially responsible company is safe, high quality products, for Germans, its secure employment, where as in South Africa the social commitment of a company is assessed by its contribution for issues related to health and education. In Turkey, the most important demonstration of corporate responsibility is charitable donations whereas in Australia, Canada, Indonesia and UK respondents most often mentioned environmental protection. In China, India and Russia, good service and product quality were listed as crucial" (FT, 2005). Thus "CSR is something but not the same thing to everybody" (Votaw, 1973) because it is situational in its need, functioning and delivery, differing also from countries to regions to people.

### **Emergence of CSR**

The emergence CSR is difficult and perhaps impossible to trace. In the west, the CSR is more about macro issues like safeguarding human rights, global warming and environment, disasters etc. On the other hand in India, there is a greater focus on micro issues such as access to and control over basic necessities, services, infrastructure etc. Historically, the Indian philosophy contains several concepts which provide a strong backing to CSR. India had adopted development model post-independence with a mixed economy with a tilt towards socialism in order to promote equality in the allocation of the resources. Infrastructure development, such as dams, and the small scale sectors were given preference through the reservation of certain industries. After liberalization, privatization and globalization in the early 90s India had opened its economy to the world market for a promising business growth and conducive environment. This led to tremendous boost in the production of both goods and services, creation of jobs, and increase in the GDP of our economy. However, with this growth also came vulnerability and marginalization of the poor who were not equipped enough to face the onslaught of corporate giants. Subsequently, many small and informal industries were shut down as a result of a hostile takeover and their acquisition by the bigger and more sustainable companies. This eventually led to job losses in millions in India and people who were either semi-skilled or with no skills. With the structural adjustment programme (SAP) as directed by the World Bank even the essential services were not available to the poor and were way beyond their reach. The policy of random hire and fire made things worse where the employees and workers were treated like puppets in the hands of their capitalist market.

Another badly hit employment generating industry was the small scale industries, since the import tariffs were brought down and import substitution was brought in. In fact the Chinese products got a greater boost due to this action due to their low cost production and the manufacturing capital became china with a major blow to the indigenous industries, manufacturing and production houses. A furthering of gap between already poor and extremely rich happened and with an economy which required greater skills in its workforce, which such a poor, uneducated population, created even more joblessness and the poor grew in number with this growth in unemployment. With this neoliberal approach to development there was great amassing of wealth and riches and the poor who had only their labour to earn their bread couldn't really sell it (and if they did it was at an extremely return) and thus the unbalanced wealth holdings.

The 2009 Companies Bill and its 2011 counterpart represent the first major effort at comprehensively overhauling corporate law in India since 1956. It will be landmark legislation for a BRICS country, and the Indian legislature hopes that the Bill will pass through Parliament during the budget session in Spring 2012. As one might expect, the entire project is proceeding in the shadow of ever-growing foreign investment in India. The Bill's "Statement of Objects and Reasons" dwells on growth and international investment at some length; its authors seem painfully eager to impress the global business community. At the same time, the Bill proceeds in the wake of Bhopal and Dahbol, as well as the more recent Satyam accounting scandal. Despite India's current left leaning government, the bill is extremely economically liberal and pro-business. Much of it, as might be expected, imports additional legal structures from the West. The mandatory CSR proposal, then, seems something of a regulatory oddity, inserted by the finance committee after reviewing the Bill and adopted enthusiastically by a fledgling Minister of Corporate Affairs.

### **Legal Aspect / Domain**

The legal category of CSR pertains to the business firm's responsiveness to legal expectations mandated and expected by society in the form of federal, state, and local jurisdictions, or through legal principles as developed in case law. In this context, legality may be viewed in terms of three general categories:

1. Compliance,
2. Avoidance of civil litigation, and
3. Anticipation of the law.

The first legal category, compliance, can be further sub-divided into three types: passive, restrictive, and opportunistic. The first type of compliance is of a passive or accidental nature the company is doing what it wants and just happens to be complying with the law. For example, if the speed limit is fifty- five



miles per hour and one drives at or below fifty- five miles per hour because one believes it is safer to do so and not because of the speed limit, one is passively complying with the law. If there is a safety standard for a certain product that a company would have adhered to even if the legal requirement did not exist, the company is in a passive compliance mode. If the motivations of the corporation are being analyzed by the newly proposed model, passive compliance by the corporation, due to its unintentional nature, would place it outside of the legal domain. This would be the case despite such motives being potentially labeled as legal under Carroll's Pyramid Model. If outcomes were being analyzed, the corporation would fall within the legal domain even if it passively or accidentally complied with the law. The second type of compliance, referred to as restrictive compliance, occurs when a corporation is legally compelled to do something that it would not otherwise want to do. If one is in a hurry and would like to drive sixty-five miles per hour but one does not do so because of the fifty- five miles per hour speed limit, one is restrictively or intentionally complying with the law. The payment of taxes, tariffs or duties is often done reluctantly and, therefore, restrictively. Although a company may want to pollute at higher levels or sell goods with fewer safety warnings, the law may prohibit it from doing so, leading to restrictive compliance. The adjective restrictive is used to reflect the idea that the legal system is limiting, constraining, or modifying otherwise intended behavior in a restrictive fashion.

The third type of compliance is that of opportunistic compliance. There are two general modes of opportunistic compliance. First, a corporation may actively seek out and take advantage of loopholes in the legislation to be able to engage in certain activities. In such cases one typically finds that the corporation is abiding by the letter of the law but not the spirit of the law.

Second, a corporation may choose to operate in a particular jurisdiction because of its weaker legal standards. In such a case, the corporation has based its decision on the legal system, and is still technically complying with the law. Corporations which decide to operate in developing nations because of less stringent environmental, employee-welfare, or consumer-protection legislation are opportunistically complying with the law. The decision to test drive one's new sports car on a highway because of its higher speed limit entails opportunistically complying with the law. The decision has been based in this case on a consideration of the legal system.

### **Company's Bill, 2012 and Legal Aspect in India-**

The only objective behind the mandatory provisions of CSR is to instill the spirit of CSR amongst corporate sector. India will be the first country to have a mandatory provision on CSR in Companies Act after enactment of the Bill 2012, hence, the effect of such provision can be seen only after implication. The proposed Companies Bill has been in the works for some time, dating back as early as 1993. The

media has portrayed the Bill as an attempt to “update the laws in accordance with the best global practices,” in other words, the bill largely promises more economic liberalization along with increased protections against fraud. The rationale accompanying the Bill displays Parliament's eagerness to recruit additional foreign investment. Western investors are clearly the intended audience for several sections of the text. For example, the Bill observes that:

The expansion and growth of the Indian economy has generated considerable interest in the international investing community. However, there is a need for sustaining growth in a globalized and competitive environment. The increasing options and avenues for international business, trade and capital flows have made it imperative for the growing Indian economy to not only harness its entrepreneurial and economic resources efficiently but also to be competitive in attracting investment to sustain the impressive growth recorded by it in recent years. Many investors are also looking towards the statutory and regulatory framework for the corporate sector in the country, while deciding on their investment options. In reauthorizing the bill, then, the major objectives were the reduction of investment risk and transactions costs as well as the attainment of uniformity with much of Western law. Yet it is difficult, as a country battling with poverty and inequality, to absorb so many costs and risks without asking for anything in return. The Lok Sabha's legislative brief for the Bill highlights several major changes proposed in the Bill to achieve its liberalizing goals, as well as a few concessions in favor of the Indian people. The major aims of the Bill are to decrease regulation and to shift the onus of oversight onto shareholders. The Bill makes some effort to address corporate governance in general through Western mechanisms such as formal, impartial audits and an increased number of independent directors on boards. The Bill, however, also allows shareholders to band together and file class action lawsuits, as this kind of tort framework is currently unavailable in India, and it establishes a National Company Law Tribunal to expeditiously handle these corporate lawsuits. It is, perhaps, worth noting that class action lawsuits will generally only be available to shareholders—not to the average Indian—and that companies themselves have long advocated for a more expeditious corporate law system, as it would reduce the uncertainty inherent in international litigation. The Bill, then, may be even more pro-business than it seems at first glance.

### **Amendment in Company Bill 2011 and CSR, Analyzing its Pros & Cons**

The changes listed in the previous Section were the major legal revisions laid out by the original Bill, as proposed by the Ministry of Corporate Affairs. The Bill then went to India's Finance Committee for review before being reported to Parliament. The Finance Committee, perhaps realizing the popular backlash that might result from such an unabashedly pro-business bill, inserted several new clauses to make the bill slightly more pro-development. The proposal mandating two percent CSR spending was

among these clauses. The original proposal required moderate-sized and large companies to set aside two percent of their profit margin averaged over the past three years on socially responsible expenditures. The proposal gave no guidance as to what “corporate social responsibility” meant in the context of the Bill, and provided no enforcement mechanism other than mandate reporting. In response to the Committee's overwhelming concerns on the extent of Corporate Social Responsibility (CSR) being undertaken by corporate and the need for a comprehensive CSR policy, the Ministry of Corporate Affairs have agreed that the Bill may now include provisions to mandate that every company having (net worth of rupees 500 crore or more, or turnover of rupees 1000 crore or more) or (a net profit of rupees 5 crore or more during a year) shall be required to formulate a CSR Policy to ensure that every year at least 2% of its average net profits during the three immediately preceding financial years shall be spent on CSR activities as may be approved and specified by the company. The directors shall be required to make suitable disclosures in this regard in their report to members.

If the company comes under the prevue of Company CSR bill and does not meet with the responsibility would have to give explanation. The new legislation also limits the number of companies an auditor can serve to 20 besides bringing more clarity on criminal liability of auditors. There are proposals for annual ratification of appointment of auditors for five years and introduction of a new clause related to offence of falsely inducing banks for obtaining credit. The legislation mandates payment of two years' salary to employees in companies which wind up. This liability can be overriding.

### **CSR Initiatives of Select Indian Corporate Houses**

As discussed earlier, CSR is not a new concept to India. Although being at a nascent stage, there are life size successful examples of companies like Tata and Birla. The Tata group focuses its purpose on to “improve the quality of life of the communities it serves”<sup>1</sup> which they fulfill through their 66% shareholdings in nonprofit, non-sectarian philanthropic organizations. It includes Sir Dorabji Tata Trust, Sir Ratan Tata Trust and other trusts like RD Tata Trust, JRD Tata Trust, MK Tata Trust etc., that provide endowment for creation of national institutions like Tata Institute Of Social Sciences, Tata Memorial Centre for Cancer Research and Treatment, national Centre for Performing Arts etc. and also provide its assistance in development sector covering the arenas of natural resource management and rural livelihoods, urban poverty and livelihoods, education and health, civil society, governance and human rights, art and culture and disaster relief and small grants.

There are other Indian corporate have undoubtedly made significant contributions towards the sustainable development of our country. However, companies should not limit their CSR activities to the resource rich states but should extend its horizon to the less privileged areas also. There should be an

effective value chain system of the products through their CSR activities which would be more useful when activities are based on more practical and participatory approach and touch the grassroots levels. Employee participation and volunteerism should be encouraged and institutionalized through recognition/appreciation and incentives. There is also need for public-private partnership with well-defined controls and process for the best use of resources for social change. Special training needs to be given to business managers in working with social issues. Participation of small and medium business should be encouraged. Experience has shown that working with NGOs is more worthwhile and result-oriented. Joining hands with related NGOs is therefore advisable.

### **International Law Pertaining to Corporate Social Responsibilities**

Corporate social responsibility holds very less important place in academic work conducted by international legal researchers for whom it seldom constitutes the sole area of academic interest. Indeed, it is not considered a branch of international law as such, but simply as one of many topics worth investigating. Emerging literature on corporate social responsibility produced by international legal scholars in light of the picture painted by business economists. (A. Zerk, *Multinationals and corporate social responsibility: limitations and Opportunities in international law* (2006); Ilias Bantekas, *Corporate Social Responsibility in International Law*, 22 B.U. INT'L L. J. 309 (2004).). When we talk about international laws for CSR activities, we usually focus the activities of multinational companies (MNCs) in its domestic countries as well as in other part of the world. Notion "Give and take" (they contribute support to society and the same time they expect to be benefited by the society in order to maintain the sustainable development of the company) also takes place cross the border activities under the purview of existing law (specially Human Rights, Laws for protection of environment etc) to the corresponding country. This is reflected in the writings of international lawyers who have methodically grappled with the notion of corporate social responsibility later than their domestically oriented counterparts as matters stand, their work cannot be portrayed as fragmented and self-contained. Be that as it may, and understandably so, the business economics and international legal approaches to corporate social responsibility remain distinct in several respects.

The overall conceptual architecture bears greater similarities than had previously been the case, but the detailed blueprints are by no means identical Under International legal perspective, functioning of multinational, or transnational, corporation companies/organizations are scrutinized by researchers exploring corporate social responsibility on a scale extending beyond national boundaries. When these organizations operate their functioning (activities) across the border, international legal instruments are viewed in the context as a mechanism for defining the rights and obligations of States with respect to international investment. The ultimate goal has been to enhance, harmonize, and stabilize conditions

affecting private cross-border capital flows through highly focused international legal measures. Dimension of globalization processes have inevitably pushed multinationals toward the centre of the International law research arena with the objective of Intensifying concerns about the Adverse social and environmental factors that is the outcome of accelerated inadequate regulation and private cross-border investment and production and in this context international legal Instruments need to be designed to govern multinational corporate behavior. Within a domestic realm, an organization is deemed to possess an international law. But if we talk about personal benefit under CSR activities internationally, in the domestic sphere, not all international legal persons enjoy equivalent legal rights or carry equivalent legal responsibilities. The pattern may vary from one person to another.

Traditionally, actors (organization indulging in CSR) in the international legal arena have been Classified as subjects or objects of international law. It was commonly assumed that only States qualified as the decision maker to allow the organization for CSR, Individuals and other legal entities recognized under domestic law, such as commercial firms, were viewed as objects of international law (i.e., parties possessing rights and responsibilities), but it was posited That this normative system was not directly applicable to them. Further, enforcement could not be undertaken other than through an interested State.

International law pertaining to CSR mainly focuses on public CSR instruments, NGO Guidelines on CSR, Corporate code of conduct, Regulation of CSR through Domestic legislation and the core CSR principles regarding Human Rights, Labour Rights, Environmental Rights and Sustainable Development, Voluntary Social Reporting and CSR integrated management and corporate. Each discipline, or sub discipline, has its own concerns and analytical traditions. There is a potential for cross- fertilization, yet not a deeper relationship. In relation to human rights, it may thus be argued that the notion of direct regulation is potentially underpinned by the Preamble of the 1948 Universal Declaration of Human Rights (UDHR), which stipulates that “every individual and every organ of society, keeping this Declaration constantly in mind, shall strive by teaching and education to promote respect for these [i.e., UDHR] rights and freedoms and by progressive measures, national and international, to secure their universal and effective recognition and observance. According to Louis Henkin, the recourse to italics reflects the intention to signal that no party is excluded—“no one, no company, no market, no cyberspace.” Additional arguments have been offered in support of this proposition. Notably, it has been suggested that a proper balance must be struck between rights and responsibilities. Since multinationals enjoy considerable rights under international law (which are a source of substantial benefits, and even power, for them), and their activities impinge on the well-being (including human rights) of other parties, it follows that they should also be subject to concrete

international legal obligations.

Key legal and policy instruments to be followed under CSR: the Draft UN Code of Conduct on Transnational Corporations, the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, UN Agenda 21, the UN Global Compact, and the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights).

These prescriptive vehicles are the product of initiatives that have a predominantly voluntary orientation, but it may be argued that compliance with the underlying principles is not necessarily a discretionary affair. In due course of time the gap between the already poor and the extremely rich happened and with an economy which required greater special skills among its workforce, which such an enormous population of poor people, illiterate, created an unimaginable pool of more jobless persons. The poor have exponentially been increasing over the years and so was the number of unemployed persons. With the neoliberal approach to development there was great amassing of wealth and riches and the poor who had only their labour to earn their livelihood for which they merely received poor wages and thus the lop-sided wealth holdings.

With the World Bank, IMF and WTO standing as watchdogs, the profit maximization mantra holds and outdated technology and product promotion by some companies is done in India, even though their use in the host country has been stopped. For instance, the factory which was shut down in 2001 owing to environmental concerns for using hazardous mercury in USA and yet two hundred tones of the same toxic mercury was shipped and dumped here in India. It has always been a practice by the developed nations who have often tried to bulldoze their way through the developing and the poor nations by having their way and treating the latter like guinea pigs or like laboratory rats. Annually over eight hundred ships are pushed to the so-called global south in places like Alang in Gujarat as the world's favorite dumping ground to deal with the wreckage and the ensuing risk of exposure to toxic wastes and products like polychlorinated biphenyl. "Thus the developed countries enjoy the luxury and shift the toxicity to the developing countries with a sugar coating of jobs creation in ship wrecking industry." (Aggarwal 2003).

The global trade resembles more like an expansionist agenda of the rich and developed countries to grab and control a great share in the world's rich mineral and natural resources. The ensuing social and environmental devastation is completely forgotten. This wide competitive, global market has forced companies to minimize cost and maximize profits. One of the classic examples is the Indian IT industry.

a highly specialized and professional skills such as software engineering etc. for those desirous to work. Outsourcing in India in 2009 alone made about \$ 600 dollars. Even in the sports it has become extremely commercialized such as the IPL games where several players from outside India eye to make a fast buck, while the ground reality is the teeming millions of those who go to bed every night hungry and starving.

“India would become a fifth largest economy for consumer goods by 2025”. (McKinsey 2007) The growth pattern with the development model India is following has come down to commercialization and commoditization of everything, as defined by the market. Poverty eradication as a goal does figure on almost every government's agenda but hardly followed in spirit. Sustainable development seems to be the latest jargon, so much so that the big consulting firms come up with detailed reports on sustainability and environment.

### **Convergence of Sustainability and CSR in the Future**

When it comes to sustainable development and CSR and where they are headed, there must be a clear understanding of how they evolved and developed and how in future they are converging. Though the historical past of both these concepts had been different, their future definitely seems to merge in their respective course. To trace its history CSR as a concept emerged in literature and academics in 1953 Howard R. Bowen also hailed as the father of CSR in his landmark book 'Social Responsibilities of the Businessman', is said to mark the beginning of this concept. It is evident by the title of this book that there were no business women or even if there existed some they were not acknowledged in formal writings.

In early literature it was often referred to as Social Responsibility. The central argument in Bowen's book is that hundreds of the largest business organizations were vital centers of power and also decision making and the actions undertaken by them had an impact in the lives of billions of ordinary people across the world. He defined Social Responsibility as 'it refers to the obligation of the businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society'.

As per Carroll's Pyramid of Corporate Social Responsibility, there are mainly four domains in which a business is supposed to perform its duties viz. economic, legal, ethical and discretionary. It is compared with Maslow's need hierarchy model, then the difference lies in the fact that in Maslow's model one has to clear or satisfy the previous stage of needs in order to move higher in the higher stage in the pyramid. The tertiary sector and the IT industry sector in particular is making billions of dollars and also requires

## The Pyramid of Social Responsibility

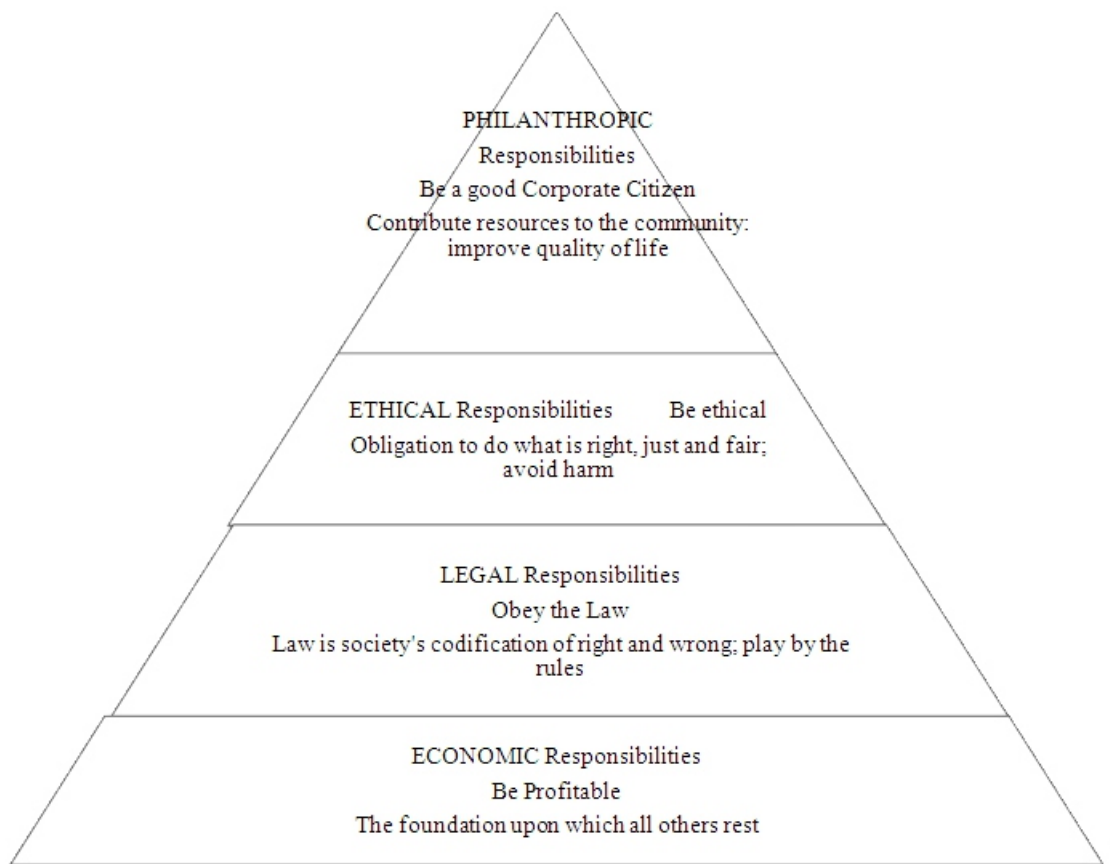


Figure: source Carroll, A.B. 1991. The Pyramid of Corporate Social Responsibility: Towards the moral management of organizational stakeholders, *Business Horizons*, July/ August, pp. 39-48.

But in Carroll's pyramid this is not the case.

### Critique of Carroll's Pyramid

The four levels in Carroll's pyramid can be confused as a hierarchy of responsibilities. The highest level is discretionary responsibility and the lowest level is economic responsibility. One may wrongly conclude that the company which is following its economic responsibility is unethical; whereas engagement of another company in discretionary philanthropic activities is ethical. But when Carroll proposed this model he never meant so (Carroll, 1991).

Secondly interrelatedness of all domains is absent in the model. Thirdly, Carroll used philanthropy in discretionary category, adoption of which depends upon individual's subjective decisions as it is something ethically desirable. He did not project any distinction between philanthropic and ethical motives as one company may be doing some charitable work in order to reap its benefits in future course



of time which some authors have referred as strategic philanthropy (Yankee, 1996). Other criticism of his model pertains to incomplete conceptualization of economic, legal and ethical domains. What form the subject matter of legal domain, does it mean compliance with law or avoidance of civil litigation or anticipation of the law? This model talks about ethics of individual who runs the business rather than institutionalization of CSR.

### **Costs of Corporate Social Responsibility**

Broadly speaking there are three different types of costs, sunk costs, recurrent costs and opportunity costs can that be attributed to implementing CSR. Generally speaking, environment-related CSR activities mainly cause certain costs in terms of capital (e.g. new equipment, improvement of energy use, type and ways of waste disposal etc.) but only minor recurring costs (such as equipment maintenance and up-gradation). By contrast, recurring costs of CSR activities, which aim at improving social aspects of business operations, often exceed capital costs.

In addition to costs of actual CSR implementation, the costs of licensing, certification, accreditation based on international voluntary sustainability standards and codes of conduct are considerable and can range from around 575 USD up to around 1000 USD per work day (Sino-German Corporate Social Responsibility Project, 2012). The audits themselves can take from 1 to 13 days, depending on, inter alia, the physical size of the facility, the number of employees, and the type of certification or audit.

### **Benefits of and Reasons for CSR Work**

Within the area of influence of a company, direct benefits which accrue from CSR activities are improvements in the commitment of employees and learning processes which raise the skill level, effectiveness and competencies of employees. Also, the company projects a better and a more attractive image as an employer and therefore attracts a larger number of higher qualified applicants and potential future employees. This increases the average skill level of employees.

Due to higher work effectiveness of employees, improved communication, enhanced green production processes and improved relations with suppliers, the overall operational effectiveness increases when CSR is implemented. These positive direct internal effects in turn result in fundamental cost savings (costs of recruitment, enhanced worker turnover, penalty payments for non-compliance with environmental and labour laws, labour disputes, accidents, supervision, advertisement, production, tax payments etc. At the same time, value is created in terms of innovation by releasing the innovative potential of employees through learning and commitment, and implementing up to date environmental practices, as well as incorporating societal challenges. Due to a higher level of operational

effectiveness, organizational commitment of employees and learning, this in turn increases the productivity of a company with minimal errors and this ultimately improves the overall quality. On the other hand adherence to environmental standards enhances product safety.

In the external sphere, a positive branding, image and reputation and publicity resulting from engaging in CSR activities reflects the improved public perception of an organization that is socially responsible and hence increases its legitimacy. Certification based on international voluntary sustainability standards can also play a crucial role in providing credible evidence for CSR achievements. Also, incorporating stakeholders' expectations, introducing best labour practices and adhering to fair operating practices create trust and improve relationships with external and internal stakeholders (e.g. government officials, retailers, civil society organization, employees). Enhanced relationships along the supply chain ensure supply chain stability. Improved reputation, publicity and positive and improved stakeholder relationships result in an overall positive company image and enhance brand equity and identity.

These direct external benefits in turn enable socially responsible companies to gain more capital at a lower cost and easier market accessibility. With growing consumer demand for the implementation of social and environmental standards and benchmarks, companies certified based on international voluntary standards can achieve price premiums. Improved product quality and safety further promote customer satisfaction. As CSR strengthens the relationships between internal and external stakeholders, it helps to avoid conflicts between companies, employees, communities and the society and thereby reduces the risk of distraction, instability and uncertainties and increases the stability of business operations. Finally, contributions of a company to the development of the local community and the local economy enhance the overall business environment through synergies of value creation.

To sum up, operating a business in a responsible way of differentiation that creates competitive advantages in terms of better and more committed employees, improved operational effectiveness, more efficient production processes, improved networking and stakeholder relationships, better publicity, increased productivity, innovation, improved quality, cost savings, risk reduction, price premiums, better capital and market access, customer satisfaction, and synergetic value creation. These benefits help firms to have a competitive advantage than their less socially responsible competitors and strengthen their brand identity too. Empirical evidence has shown a positive relation between overall CSR engagement and competitiveness.

## Conclusion

Beside the intangible nature of CSR assets, the reason for the reluctance of many firms to invest in CSR is the perceived imbalance between such investments and the revenues or direct profits of the firm. The implication is that there should be a win-win situation (equilibrium or point of convergence) for firms to be encouraged or motivated to invest in CSR initiatives and projects. Also, firms will engage in CSR activities if stakeholders - such as the government, the financial sector, consumers, and non-governmental organizations among others - reward or pressurize firms to engage in such an endeavor. Therefore, the link between profitability and different dimensions of CSR is likely to differ across countries, sectors, and even firms.

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## Author's Profile

### Uttam Sahoo



*Uttam Kumar Sahoo is currently pursuing M.A. in Social Work, at Tata Institute of social sciences, Mumbai. He is been an active participant in the workshops and seminars organized the National CSR hub located in Tata Institute of Social Sciences, Mumbai. He has participated and successfully organized the Social Action project initiated by Interfaith Youth Core organization for the slum localities in Mumbai. As a young leader he is been engaged in campaigns and community mobilization aiming to contribute for a larger social cause.*



# Corporate Social Responsibility: The Future Of CSR And Responsible Investment

**SamipBaruah<sup>1</sup>, P. Bezborah<sup>2</sup>**

<sup>1</sup>ITC Limited, Tamil Nadu, <sup>2</sup>Department of Commerce, Dibrugarh University, Assam  
<sup>1</sup>samipbaruah@gmail.com, <sup>2</sup>pranjalbezborah@yahoo.com

## **ABSTRACT**

*The study explores the concept of CSR and in its application in different ways in industry for business success and how the future will change the strategies of how CSR gets implemented by Companies. The focus of the paper is to define CSR based on review of literature. There is a differentiation done between philanthropy and CSR with examples. This research paper tries to define CSR in the way Corporate understand and also looks at different companies as to their way of looking at the triple bottom line in a responsible manner. It is an effort to look at small to big examples where in how CSR is going to get engraved into the pedigree of any corporate's method of doing business and hence all investments is rated to be responsible investment. The paper highlights the importance, the need of CSR and the principles of CSR in the industry for betterment of the society. A conceptual architecture is elaborated and discussed based on review of literature. It studies the application of CSR in Consumer durables, Courier Companies, FMCG and Automotive Industry which has resulted in business success in the area of social, ecological an economic dimension.*

*The paper studies cases of live corporate examples as to how they have contributed to CSR and presents the case of CSR in the ITC context with some live data collected. The paper highlights that small product packaging /size changes and adoption of technology can lead to doing business getting done responsibly to the environment and the society which is the very objective of CSR. The research paper gives a perspective as to how the paradigm of CSR will change with the mandate given in the new company bill which states to spend at least 2% of the net profit of the corporate for CSR in the recent Budget 2013 presented by the Finance Minister of India. The research paper also highlights facts of process changes which can be brought about leading to the strategic inclusion of CSR in the normal mode of doing business. The paper talks about responsible technological investments done by corporate which lead to cutting edge in terms of superiority in product offer quality and pricing. It also studies companies which have CSR as mode of success in the company's way of thinking, as to what business formula needs to be devised in the processes of business being viable while doing the business responsibly. The paper explores responsible investments done by Big Corporate and the benefits they have reaped. In fact, CSR needs be inculcated in the core way of doing business such that all product/process innovations become automatically an evaluation tool before launching in the market.*

*The future will be such that companies have to devise strategies through Research and Development to not only customize their offering, but also enhancing the eco dimension and social order. Innovations in packing to reduce wastage and reducing environmental impact while maintaining quality of offering in affordability can also lead to way CSR is engraved in the processes itself. The research paper ends with the conclusion that CSR need not be looked at as an activity but a value creation or a value addition tool. If CSR is selected and implemented rightly, taking into consideration the latest advances in technology while keeping pace with the real time of changes happening across the world, in the world of competition and globalization, it would make India a global market with top class quality offers as good as any developed nation.*

**Key Words: CSR(Corporate Social Responsibility), FMCG (Fast Moving Consumer Goods), Medium and Small Scale Medium Enterprise (MSME), Enterprise Marketing Automation (EMA)**

## Introduction

CSR in India was looked earlier with wariness which gives Companies Tax Breaks, State Govt. to mandate it in lieu of free or concessional land, a way of Local communities to be compassionate to Business, Suspected to Turning Black monies to white but today it looked at in the affirmative positive dimension as to how can any enterprise while doing business can act responsibly to the environment and the society. We need to differentiate giving or philanthropy in a different manner, because giving/ philanthropy may be limited to religious causes, community and health services done on a free will by individual owners of the big enterprises for example Jamunalal Bajaj gave his entire wealth 5 lac to Jammalal Baja Seva Trust in 1942 to manage 20 hospitals, educational and other institutes. Bajaj's charity work still continues today. Here we need to clearly demarcate free will givers from enterprises who strategize their business principles to contribute to the triple bottom line of Economic, Ecological and Social Dimensions. CSR is the process where the shareholder's monies through the promoters are used in the process of the business generation to contribute to society and environment while philanthropy is sharing of one's personal wealth.

Examples of Philanthropy:

- HCL Group Chairman Shiv Nadar's Foundation runs VidyaGyan- A free schooling initiative for the rural poor at Bulandshahar (75kms from Delhi)
- Biocon's CMD Kiran Mazumdar Shaw runs “ArogyaRaksha insurance programme”- Reaches 200,000 people with basic health care system.
- Infosys Technologies Co Founder's Wife Mrs. Rohini Nilekani runs Aroghyam- a charitable foundation working in the area of Water and Sanitation.

CSR continues to become more sophisticated, more strategic, and undoubtedly, more effective because of business enterprises incorporating business strategic and their action plan to their way of doing business. From American neighborhoods to the most remote villages in emerging markets, business is tackling core issues such as economic empowerment, community investment, and health & wellbeing. This work adds significantly to the positive changes and improvements in our society. Any business which looks at the three dimensions of ecological, economic and social in doing a business is able to embark its journey towards Corporate Social Responsibility.

## Definition of Corporate Social Responsibility: CSR- What does it mean?

The CSR definition used by Business for Social Responsibility is: "Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business". Different organizations have framed different definitions - although there is considerable

common ground between them. The definition used by Business Respect since 2001: CSR is about how companies manage the business processes to produce an overall positive impact on society. -Mallen Baker, Founding Director, Business Respect. Companies need to answer to two aspects of their operations. Firstly-The quality of their management - both in terms of people and processes (the inner circle). Secondly- The nature of, and quantity of their impact on society in the various areas as shown in figure 1. Take the following illustration: Here business is done by corporate with the human, environmental and economic dimension.

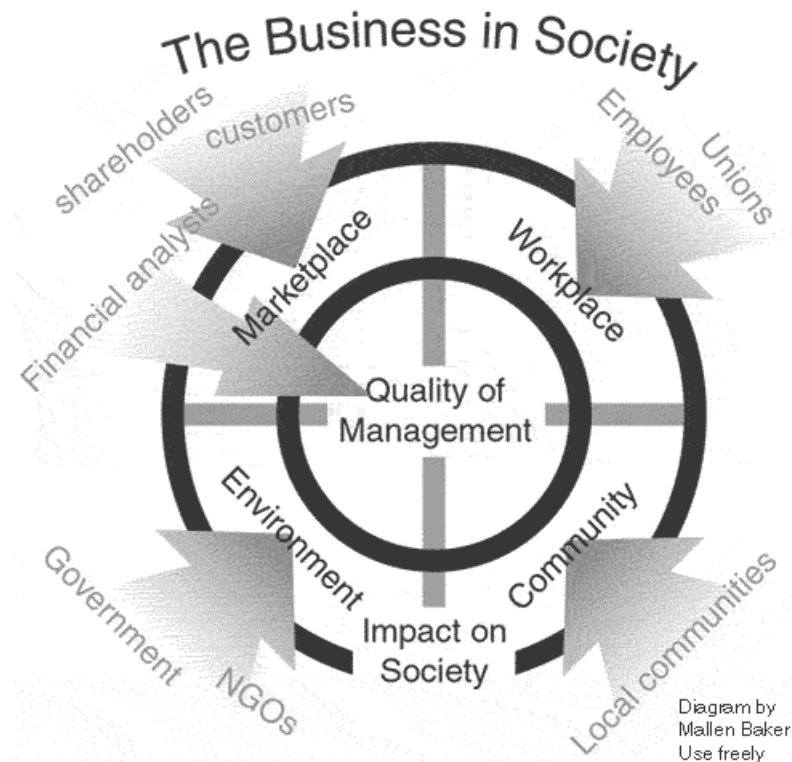


Figure 1

Outside stakeholders are taking an increasing interest in the activity of the company. Most look to the outer circle - what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce. Out of the various stakeholders, it is financial analysts who are predominantly focused - as well as past financial performance - on quality of management as an indicator of likely future performance.

### Some Other Definitions are

The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to econom-

ic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". The same report gave some evidence of the different perceptions of what this should mean from a number of different societies across the world. Definitions as different as "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government" from Ghana, through to "CSR is about business giving back to society" from the Phillipines. Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving. The European model is much more focused on operating the core business in a socially responsible way, complemented by investment in communities for solid business case reasons. Personally, I believe this model is more sustainable because:

- Social responsibility becomes an integral part of the wealth creation process - which if managed properly should enhance the competitiveness of business and maximize the value of wealth creation to society.
- When times get hard, there is the incentive to practice CSR more and better - if it is a philanthropic exercise which is peripheral to the main business, it will always be the first thing to go when push comes to shove.

But as with any process based on the collective activities of communities of human beings (as companies are) there is no "one size fits all". In different countries, there will be different priorities, and values that will shape how business act. And even the observations above are changing over time. The US has growing numbers of people looking towards core business issues.

For instance, the CSR definition used by Business for Social Responsibility is: *"Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business"*.

On the other hand, the European Commission hedges its bets with two definitions wrapped into one: *"A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment; a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*. When you review each of these, they broadly agree that the definition now focuses on the impact of how you manage your core business. Some go further than others in prescribing how far companies go beyond managing their own impact into the terrain of acting specifically outside of that focus to make a contrib-



ution to the achievement of broader societal goals. It is a key difference, when many business leaders feel that their companies are ill equipped to pursue broader societal goals, and activists argue that companies have no democratic legitimacy to take such roles. That particular debate will continue<sup>1</sup>.

Let us look at how corporates understand and also looks at different companies as to their way of looking at the triple bottom line in a responsible manner. It is an effort to look at small to big examples where in how CSR is going to get engraved into the pedigree of any corporate's method of doing business and hence all investments is rated to be responsible investment. Let us take an example of Mitsubishi Electric Corporation while making elevators calls itself to be a World- Class Sustainable Technology Company because its product viz. elevators save energy by reducing waiting time and riding time to improve traffic flow. There key design is the cutting edge green technology, including impact, high efficiency motors and regenerative motors. Mitsubishi is also known for creating a plethora of products from home electronics to society's infra-structure while keeping its global reputation of unparalleled quality, safety and environmental performance<sup>2</sup>. Here it as simple example where in Mitsubishi Electric has looked at the social, economic and ecological dimension. Mitsubishi has helped in world class building of societal infra-structure at the same time saved energy through green technology while making monies to be economically viable. Another example is Aditya Birla's Hindalco Everlast Aluminum Roofing and Structural. Hindalco produces aluminum high quality virgin alloy roofing which does not rust, stays long, moderates temperature under the roof by keeping it cooler in summers and warmer in winters. This saves energy, provides comfortable environment, generates recycling value of 60% and improves productivity. Hindalco has not only been profitable to sustain and run the business but also has been contributing to environment as well as society through its product offering<sup>3</sup> The fact of this examples is that each of the enterprises Mitsubishi while being successful in business and profitable has contributed to the environment and also socially to the society.

The future of CSR will get carved in the way an enterprise does business in the coming century. It also tries to look at how CSR will lead to responsible investment to be done by companies and companies engaging actively to work towards the benefit of the environment and society. CSR inspires leaders and businesses to connect with society to the mutual benefit of both. The mandate of CSR has been further fortified because of the recent budget's speech of 2013 where in the Finance Minister of India categorically has put in the new company bill which mandatesspend 2% of the net profit for CSR and is

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<sup>1</sup> (<http://www.businessrespect.net/definition.php>)

<sup>2</sup> (Business Today 17thMarch 2013, pg-25, [www.mitsubishiElectric.asia/India/](http://www.mitsubishiElectric.asia/India/))

<sup>3</sup> ([www.everlastaluminiumroofing.com](http://www.everlastaluminiumroofing.com))

compulsory for companies reporting a profit of 5 crores or more in the last 3 years<sup>4</sup>. The New companies bill states that there is a need to institute a CSR committee with 3 board members of which one is an independent director. The Ministry of Corporate Affairs also will notify that funds provided to technology incubators located within academic institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure. Hence CSR becomes now a highly involved topic for all corporates and in doing so benefiting the environment and society.

The future will be such that companies have to devise strategies through Research and Development to not only customize their offering, but also enhancing the eco dimension and social order. Innovations in packing to reduce wastage and reducing environmental impact while maintaining quality of offering in affordability can also lead to way CSR is engraved in the processes itself. Some examples are - Wrigleys' multinational confectionery brand have decided to do away with the extra paper sleeve around the chewing gum and went for slimmer packs and have saved 745 tonnes of paper in Europe, Asia and India. Frooti the popular mango drink has come down on half a dozen with variation in shape and style in their packing in 2004 to smaller packs for better rural penetration leading to helping the societal rural consumer and at the same time catching the eye for better sales. Con Agra Foods micro wave popcorn introduced popcorn in paper bags which can be microwaved as well as used as a container<sup>5</sup>. Tata was the first to bring Euro(emission) more environment friendly engines norms well ahead of the mandated date<sup>6</sup>. The heart of solution lies in the intrinsic coming together of all stakeholders in shaping up a distinct route for an equitable and just social order.

Former Indian President A.P.J. Abdul Kalam said “A dream city should have a population of not more than 5 mnc, generate Its own power through green resources, be a vibrant economy using Clean energy, use-bio-fuel and insist on rain water harvesting” which talks about a greater, empowered, better India through successful contribution to environment, society and livelihood which is only possible through CSR.

### **Literature review of Corporate engaging in CSR activities**

Exide Batteries have started a campaign- “Return your old battery, Gift your child a new life” – Exide in association with UNICEF- Campaign done by M.S. Dhoni (Indian Cricket Team Captain). When you return your old battery to an authorized dealer, Exide contributes on your behalf to UNICEF's Child

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<sup>4</sup> (Business Line 1st March page27, 2013, 8th March 2013, page-2)

<sup>5</sup> (Business Line 12th Dec 2012 page -1)

<sup>6</sup> (Business Line 22nd Oct page 2)

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Environment Programme. It makes a difference to the lives of countless children in need of water, sanitation and hygiene in schools. Moreover you also get your new Exide battery at a special price. Join hands with Exide and UNICEF to make a difference. Return your old battery to an Exide dealer and make a difference to a child's life<sup>7</sup>.

Tata Swach served 5 lac litres of water in the “MahaKumbh Mela” in association with UP Jal Nigam as a Public- Private Partnership (PPP) from Jan 10th to March 10th 2013 and set up 28 kiosks and 300 units of Tata Swach Nano-Tech water purifiers across the holy site. Tata Swach was developed by Tata Innovation Centre in Pune as a part of CSR to provide safe drinking water at the same time to have a product for business success. The objective of the exercise was to connect with People and educate them on safe and pure drinking water and ensure the health and safety of the pilgrims attending the mela<sup>8</sup>.

HUL has started a Van and Outreach program for family hygiene in pact with the Governments of Bihar, M.P. Rajasthan and U.P for educating people on hygiene of hand washing program. HUL has developed a 3 minutes film through Lowe-Lintas to support Life Buoy's hand washing program and distributed free samples and films. Life buoy claims that it kills germs in 10 seconds. This was started after they piloted hand washing program in M.P. in the rural markets<sup>9</sup>.

Godrej Properties Imagine- Godrej green Garden City in Ahmedabad was selected by the Clinton climate initiative as one of the 17 projects from around the world to partner them in the goal of achieving a climate positive development. We have committed that every Godrej Properties Building will be sustainable, conserving nature and providing our residents with healthier living environments in something we are deeply committed to because ultimately, we believe all our school children should inherit both a great home and a greener world. Godrej Properties has been voted “The Best Emerging National Developer” at the Zee Business Awards 2011<sup>10</sup>.

MMTC, India's leading international trading company has contributed to CSR through its 3 pronged approach- addressing infra-structural needs, environmental concerns and relief and restoration activities during the time of natural calamities which encompasses the company's role as a promoter, a

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<sup>7</sup>([www.exide-reachout.com](http://www.exide-reachout.com), [www.unicef.in](http://www.unicef.in))

<sup>8</sup>(Business Line 12th March 2013, Press Bureau)

<sup>9</sup>( Business Line 12th March 2013,PurvitaChatterjee,)

<sup>10</sup>([www.godrejproperties.com](http://www.godrejproperties.com))

partner and a facilitator towards adding to the triple bottom line. MMTC engages with NGOs for education for the under privileged. MMTC has undertaken construction of classrooms, drinking water and sanitation facilities in several Govt. schools in the backward regions of Tamil Nadu and Odisha and made infra-structural contributions in terms of furniture and hardware to some. MMTC has also developed skill development centers for disabled people, economically underprivileged youth for their self-employability through stitching, photography, computer and multi-media to women from economically weaker sections. It has also engaged with NGOs in the health care sector to provide affordable, accountable and assessable health care. MMTC has supported NGOs behind Mobile Crèches and Day Care Centre giving help to the economically disadvantages sections<sup>11</sup>.

**Corporate Social Responsibility (CSR)** at DTDC is integrally woven into the cultural fabric of the organization. Social responsibilities are integrated into DTDC's daily work and are at the heart of its unique business model.

DTDC has a list of some of their CSR initiatives viz: Sri Subhasish Chakraborty Foundation (SSCF): Health and hospital services, Sewage system in villages, Build or donate to elder homes, Build or donate to orphanages, Build schools. Go Green Initiative, Adopt a Tree, Energy Conservation Disaster Relief & Support; The 1999 Orissa cyclone or Para deep Cyclone, A deadly earthquake in Kutch of Gujarat on January 26, 2001, The 2004 Indian Ocean earthquake or Tsunami in Chennai, Andaman & Nicobar, The most catastrophic floods in the history of Bihar in 2008, Other schemes like Women Empowerment through AWWA: The Army Wives Welfare Association<sup>12</sup>.

Hindustan Uni-Lever's philosophy of the 4 Gs – Consistent Growth, Competitive Growth, Profitable Growth and Responsible Growth talks about how to do responsible business which means to not only create economic value but social value in a sustainable way. The Unilever Sustainable Plan aims to double business while reducing environmental footprint and increasing positive social impact. This commitment is possible through 100% sourcing of raw material sustainably and will help more than billion people to take action to improve health and wellbeing. Creating Value is not about creating value for shareholders only but also for consumers, suppliers, employees and for communities where the company operates. It talks about helping people to feel good, look good and get more out of life in all its impact points<sup>13</sup>.

<sup>11</sup> (Shubhyatra, March 2013, page 51, volume 1, Issue 2)

<sup>12</sup> (www.dtdc.com)

<sup>13</sup> (Business Line 26th March 2013, V. Rishi Kumar, page -5, Create, share value across the eco-system: Unilever's Manwani)

The CSR investments in the field of Solar Energy can be also very transformative to the society because it is clean, without harming the environment yet transformative from providing energy for livelihood and providing basic facilities such as drinking water and health. Let us see some initiatives – A 10KW power plant is far greater than several 100 MW power projects because it provides electricity to the village where placed. As a result children study longer hours under the solar lamp; women take up some entrepreneurial activities like grinding; there can be installation of refrigerator in the panchayat office which can store some important medicines. The village hand pump is replaced by a solar-powered one and the villagers are spared of the drudgery of having to pump water. The entrepreneur who has put up the solar plants is paid by the villagers, usually less than what they paid for kerosene and everybody is happy. Sun Edison has done this in Meerwada Village in M.P; Minda in Mangaldhuli near Agra and the transformation has happened in these villages. Another Example is SELCO founded by Magasaysay Award winner, Harish Hande has helped set up Integrated Energy Centers (IECs) in few places. These IECs has a solar panel and a power pack. Solar power provides energy for charging Solar LED lamps (which the villagers take on rent during the nights) and mobile phones. Of course, other facilities such as refrigerator space, computer point or even electric stoves can be rented to villagers for a fee. But mostly SELCO's IECs are mostly used for charging lanterns during the day and renting them during the night and for charging mobile phones. The entrepreneur earns Rs.200 a month from each household. For a village of 40 families, he earns Rs 8000. Another Rs 300 to Rs 400 a month from mobile charging services. SELCO provides 20% of the capital cost and helps to arrange debt. Here the field of CSR comes where SELCO sells solar lamps for profit and at the same time touches the lives of villagers.

If we calculate the CSR as 2% of the profits from top 1000 companies, the total pool will form to be Rs 12000 crores and even if 1% is used, it can transform the lives of millions<sup>14</sup>. The need for CSR should have its roots in the fundamental moral thought rather than a compulsion for the corporate with the thought as to how much has been given back over and above what you have taken from society. The intention should be greater to look at addressing greater social issues like eradicating extreme hunger, poverty, promote education, enhance vocational skills and empower women. Socially responsible business take care of all these aspects and Tata<sup>15</sup>, Birlas for decades have showed the way by contributing to the society through their charitable and welfare trusts.

### **What is the New CSR Policy and What does it Mandate?**

CSR Policy- Companies Bill 2012 mandates that Any Company with a net worth of 500 crores or more

<sup>14</sup>( Corporate Solar Responsibility- M.Ramesh, Business Line page 6, dated 27th March 2013)

<sup>15</sup> Corporate Social Responsibility practices in India, Indu Jain, Chairperson The Times of India Group, New Delhi

or a net profit of 5 crores or more in the financial year shall constitute CSR committee of the board, consisting of three or more directors, of which at least one shall be an Independent Director. The Schedule VII shows that the Govt. has adopted an inclusive growth strategy to implement CSR through Corporates. The Bill mandatorily specifies that the spending is monitored in the form of reporting and disclosure. It has been finalized and approved in the way back in 2009 as per the UN Principles. Section 135 of the Companies Bill indicates to share the activities which have been undertaken to be declared as specified in Schedule VII and needs to spend 2% of the firm's average net profits recorded in the three immediately preceding years. The project undertaken has to be to work that it benefits the society and does not earn profits. The new company law has made it mandatory for all companies listed or unlisted, to have independent directors forming one-third of the board<sup>16</sup>.

There is a debate that CSR causes companies to impact their bottom line. Critics say that it saps firms and shareholders of capital. Proponents argue that attracts consumers, enhances customer satisfaction and bolsters public relations. CSR makes companies more innovative and hence plays a pivotal point for competitiveness and growth. More than 6000 companies in 135 countries have adopted the UN's Global Compact agreeing alignment of operations with 10 principles relating to human rights, labor, the environment and corruption as a part of the CSR as priority. Research on 128 firms in 2001 to 2004 examining relationship on CSR engagement( measured in an outside index) on the no. of new products introduced found that on an average 47 new products in the top 3 were brought out in a year while companies in the bottom third brought only 12. The variables which were looked at were size, financial leverage, market stability and performance statistical regressions to determine the causality.

It was found that in fact CSR strengthens relationship with external stakeholders including customers, suppliers, non-profits and Governments. It provides access to a wide body of knowledge. This helps the company stay abreast of evolving market preferences and new technologies and facilitates “creative leaps”. We also discovered that not all companies reap the same innovation rewards from their CSR endeavors and hence stimulating effect with first of a kind innovation.

Due to Competitive Environment and competitive intensity typically it fuels organizational learning and thus better equips the firm to capitalize on new information<sup>17</sup>. All these corporate initiatives talk about how the future of CSR will turn out to be. The investments which will be done will always look at the responsibility dimension and ensure that the CSR way gets blended into the way of doing business. Any new innovations of the corporates / firms will be futuristic and responsible enough to contribute to nature and society. Yes, the need of the hour is to look at sustainable business while giving to society and environment.

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<sup>17</sup> (Business Line 12th April 2012, page2- Xueming Liu, Shuili Du, ”Good Companies launch more new products”-Studies show CSR can make companies more innovative)

This is called responsible investment for any corporate. Let us look at ITC Limited's one of the ways of responsible and sustainable business which looks at the ecological, social and economic dimension viz. WOW- Wealth out of Waste Program.

### **ITC's Wealth out of Waste Program (WOW) – A Business Initiative triggering Triple Bottom Line approach leading to CSR**

ITC's WOW Program (Wealth out of Waste Program – A Business Initiative with the CSR Dimension) is engaged in also in the triple bottom line approach where it collects paper and dry wastes from corporates, schools, colleges, institutions to prepare paper board from wastes in its Kovai Factory in Tamil Nadu. Incidentally ITC Limited is one of largest paper board manufacturing company in India. This process involves creation of wealth out of waste hence the name where in it converts the waste paper like used school notebooks, newspaper, examination papers, office paper wastes etc into pulp and converts them into paper board which is used for making cartons or notebook covers, eco paper boxes for sweets etc. ITC's stationery offers of Classmate Notebooks uses notebook covers made of recycled paper while the inside paper is made of ITC's initiative of mobilizing farmers for cultivation of 1 lac 22 thousand hectares of land in Coastal Andhra of Eucalyptus, Subabul & Casurina plants in non-agricultural land. These cultivations are ITC's Social and Farm Forestry initiative which has created a green track and given employment to the socially disadvantaged.

ITC's business principle of producing paper board and notebooks has CSR blended within its triple bottom line approach. ITC mobilizes farmers to grow clonal plants of Eucalyptus, Subabul & Casurina plants in the coastal Andhra in non-agricultural stony waste land and generates 43 million days of employment<sup>18</sup>. These clonal plants developed in ITC's R&D Centre are high yielding plants, disease resistant and plants which can grow in harsher conditions. ITC procures wood pulp for paper got from tribals doing renewable plantation in their wasteland. ITC willing to buy produce and Farmers are free to sell to highest bidder and ITC ensures that the farmer in the process gets benefitted. They normally mature in 7 to 8 years which otherwise would take 12 to 14 years to mature, are used to create greenery in the non-agricultural land which conserves soil, gives livelihood to the poor farmers and also reduces carbon footprint for ITC Limited. ITC hence becomes the only company in the world to be carbon positive, water positive and solid waste recycling positive. The waste collection mechanism (WOW) is integrated hence in the front end as well as at the back end through the sustainable business processes to impact the economic, social and ecological dimension.

### **The WOW process is as follows**

ITC Limited does an agreement with the Offices/ Schools/ Corporates like Cognizant Solutions. Nokia etc/ Institutions that they will collect the dry waste as well as the paper waste on a monthly frequency in

<sup>18</sup> [www.itcportal.com](http://www.itcportal.com)

designated days/dates and pay back monies or exchange ITC stationery offers against the quantity of the waste collected in kgs. Currently the WOW initiative is prevalent in Hyderabad, Chennai, Bangalore, Coimbatore and Trichy only. Please find enclosed the sample data for some waste collected in Cognizant Technology Solutions in Chennai during the period of June-July & August and the value of monies given in exchange of the wastes collected. The impact of the activity is two-fold. ITC could collect waste for preparing of paper board and in doing so, reduced felling of trees at the same time reduced the usage of power because here the power used to convert recycled waste will be 40% lower than the power required for generating pulp from normal virgin wood. It is worth mentioning that ITC grows 8 trees for every 1 tree it cuts and hence takes all care to reduce cutting trees and following all environmental standard norms and hence received the World Environmental Sustainability Award in 2012 in G+20 Summit in May 2012 in Rio Di Janerio, Brazil and also is a privileged invited member of the United Nations Global Forest Trading Network.

The table-1 gives details of Waste Collected in Cognizant – DLF Building in Jun-Aug 2012

Location-DLF building								
Months	Sl.No	Date	Paper qty/kg	Amount (Rs. 4 /kg)	Dry Waste (Plastic) qty/kg	Amount (Rs. 2 /kg)	Total Qty	Total Amount
June	1	18-Jun-12	520	2,080	0	-	520	2,080
June	2	19-Jun-12	760	3,040	0	-	760	3,040
July	3	06-Jul-12	501	2,004	0	-	501	2,004
Aug	4	23-Aug-12	540	2,160	0	-	540	2,160
		<b>Grand Total</b>	<b>2321</b>	<b>9284</b>	<b>0</b>	<b>0</b>	<b>2321</b>	<b>9284</b>

The table-2 gives details of Waste Collected in Cognizant – ISC1 Building in Jun-Aug 2012

Location-ISC1								
Months	Sl.No	Date	Paper qty/kg	Amount (Rs. 4 /kg)	Dry Waste (Plastic) qty/kg	Amount (Rs. 2 /kg)	Total Qty	Total Amount
June	1	20-Jun-12	550	2,200	0	0	550	2,200
June	2	20-Jun-12	1050	4,200	0	0	1050	4,200
June	3	22-Jun-12	610	2,440	0	0	610	2,440
July	4	20-Jul-12	620	2,480	0	0	620	2,480
Aug	5	12-Aug-12	1040	4,160	0	0	1040	4,160
Aug	6	30-Aug-12	400	1,600	180	360	580	1,960
		<b>Grand Total</b>	<b>4270</b>	<b>17080</b>	<b>180</b>	<b>360</b>	<b>4450</b>	<b>17440</b>

ITC Limited gives the value of Rs.4 per kg against the paper collected and Rs.2 per kg for the plastics which are collected from Cognizant Technology Solutions

The table-3 gives details of Waste Collected in Cognizant – ISC2 Building in Jun-Aug 2012

Location-ISC2								
Months	Sl.No	Date	Paper qty/kg	Amount (Rs. 4 /kg)	Dry Waste (Plastic) qty/kg	Amount (Rs. 2 /kg)	Total Qty	Total Amount
June	1	23-Jun-12	1010	4,040	0	0	1010	4,040
July	2	07-Jul-12	655	2,620	0	0	655	2,620
July	3	09-Jul-12	760	3,040	0	0	760	3,040
July	4	09-Jul-12	870	3,480	0	0	870	3,480
July	5	09-Jul-12	0	-	220	440	220	440
July	6	09-Jul-12	270	1,080	0	0	270	1,080
Aug	7	01-Aug-12	485	1,940	0	0	485	1,940
		<b>Grand Total</b>	<b>4050</b>	<b>16200</b>	<b>220</b>	<b>440</b>	<b>4270</b>	<b>16640</b>



The table-4 gives details of Waste Collected in Cognizant – Mindspace & Ameerpet Building in Jun-Aug 2012

Location-Mindspace								
Months	Sl.No	Date	Paper qty/kg	Amount (Rs. 4 /kg)	Dry Waste (Plastic) qty/kg	Amount (Rs. 2 /kg)	Total Qty	Total Amount
June	1	23-Jun-12	1010	4,040	0	0	1010	4,040
July		07-Jul-12	710	2,840	0	0	710	2,840
		<b>Grand Total</b>	<b>1720</b>	<b>6880</b>	<b>0</b>	<b>0</b>	<b>1720</b>	<b>6880</b>
Location-Ameerpet								
Months	Sl.No	Date	Paper qty/kg	Amount (Rs. 4 /kg)	Dry Waste (Plastic) qty/kg	Amount (Rs. 2 /kg)	Total Qty	Total Amount
July	1	10-Jul-12	518	2,072	0	0	518	2,072
Aug	2	11-Aug-12	303	1,212	0	0	303	1,212
		<b>Grand Total</b>	<b>821</b>	<b>3,284</b>	<b>0</b>	<b>0</b>	<b>821</b>	<b>3,284</b>

The table 5 gives details of Waste Collected in Cognizant in consolidated manner in Jun-Aug 2012

CONSOLIDATION								
	Sl.No	Dates	Paper qty/kg	Amount Rs	Dry Waste qty/kg	Amount Rs	Total Qty	Total Amount
	1		<b>13182</b>	<b>52728</b>	<b>400</b>	<b>800</b>	<b>13582</b>	<b>53528</b>

The above is the consolidated amount of 13182kgs for a value of Rs. 53528. ITC continues to contribute through collection of waste, converting to wealth (which is paper board in this case) and impacting the triple bottom line way of doing business. The waste collected gets transported to the local city Hubs from where it gets transported to the Kovai Factory in Coimbatore. Here the waste get converted to pulp and gets processed into paper board. ITC's paradigm of doing business is to look at the all the three dimensions of contributing to social and environmental platform while making money to sustain its survival and growth. The other initiatives to name a few are ITC's Sustainable Community Development Initiative which initiates women empowerment, supplementary education and integrated animal husbandry program. ITC's watershed development initiative brings precious water to more than 46,200 hectares of dry land and moisture stressed areas. ITC's E-Choupal is World's Largest Digital Infra-Structure Initiative benefitting about 4 million farming communities is another CSR initiative. Because of such many CSR initiatives, ITC has received the first position in the CSR monitor by Nielson Corporate Image Monitor in 2012-13 while getting the 4th place after ABRL, Tata Motors and LIC in Corporate Image Monitor released by Nielson for evaluating the Top Reputation Index<sup>19</sup>

According to R.Shankar, ED, RashtriyaIspat Nigam Limited- Vizag Steel Plant “*CSR is not about just spending 2% of the profits on CSR but they must display social sensitivity and responsibility in earning 98% of profits as well*”. It talks about the Gandhi Trusteeship Concept. The Company's product should show social sensitivity and the producer needs to have a track record on the same which means real CSR<sup>20</sup>.

<sup>19</sup>( Business Line 26th March 2013, page 3- Press Trust”Aditya Birla,Tata Motors, LIC top reputation index: Nielsen)

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The principle lies in driving the contribution framework to humanity and environment while doing sustainable business.

### **Conclusion**

CSR should flow as a matter of feeling rather than as a response to a diktat. Activities need to spring up out of genuine feeling and efforts to do some social good then come out of coercion of a policy or policing. This is exactly the way CSR will shape towards and become responsible investments of the future. In order to drive the spirit in the true sense, there has to be individual social responsibility which means, you need to have the time of individuals and the monies of the corporate. This will be great work because here people will value more because of the time spent than the monies. When an individual gets involved personally in doing the activity with his/her time and energy though it may be initiated by the Corporate, it works to give a different dimension for the individual's purpose of living as well as the achievement of the corporates objective of responsible investment. The need is to think one step ahead which takes care of environment of flux and the brands needs to take pace of the flux and go ahead of consumer movements<sup>21</sup>. The field of corporate social responsibility continues to evolve. As it does, we can see clear trends – away from more charity-oriented CSR and towards incorporating CSR into a company's bottom line. CSR is increasingly recognized as a market differentiator, a recruiting tool and a corporate asset with long-term value for the firm. As the field matures we see enhancements in the scale and quality of programs around the world, especially for larger companies. And yet, these companies still face the challenge of making a real contribution to community development despite the fact that CSR budgets rarely have the long-term time horizon to reach sustainability. Here lies the challenge and the fervor of the company to look at the CSR dimension in an objective manner that the real spirit of CSR will get implemented and executed for the communities at large to get the benefits. The strength of the company lies in those that have developed deep linkages between their business strategies and corporate social responsibility tend to develop a great reputation in their serving the society and also in the way they do business. CSR is work that creates value inside and outside of a company by aligning business goals with social and environmental needs<sup>22</sup>. Hence the business principle should reside in creating value, capturing value and communicating value while looking at the economic, social and environmental dimension. Because obviously no business can stay on in the market without making money and no business can thrive only by extracting from nature and society but giving back in return in a fair conducive manner. Corporate social responsibility encompasses not

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<sup>20</sup> (Business Line 26th March 2013, page 17 – Press Bureau” CSR is not just spending 2% of the profits”)

<sup>21</sup> (Business Line 15th March 2013, page 5- Harish Bijoor)

<sup>22</sup> (<http://www.busesearth.com/corporate-social-responsibility-defined/>)

only what companies do with their profits, but also how they make them. It goes beyond philanthropy investment for the future taking all the dimensions of economic, social and ecological platforms. and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm. Companies are facing new demands to engage in public-private partnerships and are under growing pressure to be accountable not only to shareholders, but also to stakeholders such as employees, consumers, suppliers, local communities, policymakers, and society-at-large. In order for corporate social responsibility programs to work, government and the private sector must construct a new understanding of the balance of public and private responsibility and develop new governance and business models for creating social value<sup>23</sup>. The effort hence needs to be drive CSR in the true spirit thinking that the enterprise while making monies is looking at making responsible investment for the future taking all the dimensions of economic, social and ecological platforms.

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### Author's Profile



*Dr. Samip Baruah is National Sales Manager (Modern Trade, Institutions and Exports) ITC Limited, Education Stationery Product Business. he us having 14 years of FMCG Sales & Distribution Experience. Earlier he has worked for GCMMF having the AMUL brand of products categories. Dr. Baruah has given Guest Lecture in Indian Institute of Management ,Shillong on Modern Trade. He is visiting faculty to North Eastern Hill University, Department of Management Studies, Tura Campus. He has submitted research papers in Annamalai University under CRM and Rural Marketing in Aligarh Muslim University, University of Madras etc. He was a speaker on the topic of "Consumer Behavior - Impact of Information Explosion on buying behavior" at the Management Education Program in M.O.P Vaishnav College for Women, Chennai.*

# Emergence of Corporate Social Responsibility: A Study of Macroeconomic Indicators

**Surender Kumar<sup>1</sup>, Pawan Gupta<sup>2</sup>**

JRE School of Management

Plot 5-8, Knowledge Park-IV, Greater Noida-201308  
surender.kumar@jre.edu.in<sup>1</sup>, pawan.gupta@jre.edu.in<sup>2</sup>

## **ABSTRACT**

*Corporate Social Responsibility (CSR) has become significant thought of managers, executives and researchers. CSR policies are beneficial not only for a corporation but also for its employees, stakeholders, consumers, and contribute to economic development while improving the quality of the life of the workforce and their families as well as the local community and society at large.*

*The developing countries have witnessed remarkable economic progress and rapid development in recent decades, yet some issues remains entrenched even through this era of change. In this study we have investigated few macroeconomic indicators to explore whether current corporate social initiatives could make any impact on social welfare in different perspectives. The findings are expected to provide insights for preparers and regulators on the components and rankings of social performance associated with corporate engagement. It may provide the idea to policy makers to consider the provision of services and support that also enhance the ability of society to fulfillment its hierarchical needs.*

***Keywords: Corporate Social Responsibility, Macroeconomic Indicators, Human Development Index, Per Capita GDP, Health Index, Education Index and Carbon Index***

## **INTRODUCTION**

According to one of the most contemporary definitions from the World Bank Group, “Corporate social responsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development”. Economic growth is fortunate if it improves social interests. Economic growth increases social interests through improving access to other basic needs. Major complexity in conducting such empirical research, i.e., when analyzing the link between CSR and economic performance, as well as one of the reasons for obtaining conflicting results, lies in defining adequate and representative quantitative measures for the multifaceted CSR concept.

In this piece of work have investigated relationship between macroeconomic indicators i.e. education,

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, health, environment and economic development. Education, health awareness and environmental protection has become a major issues in recent decades with the goal of reducing negative consequences on the environment and health. The role of human capital in the form of education has been well documented by both the theoretical and the empirical studies. According to Schultz (1961), important form of human capital is health. Compared with the considerable empirical studies on education, there is few existing empirical text on the role of health played in the Asian economic growth. In this paper, we study empirically the impact of human capital investment in both health and education on economic growth in the different region by incorporating human capital in the forms of both health and education simultaneously into a neoclassical growth model using a newly compiled dataset with health and education proxy variables which are complete and suitable to the different situations. There are no. of empirical analyses where human capital investment on economic growth in Asian region dwelled only on the effect of education. However, there have been some papers, such as Schultz (1961), Arrow (1962), Mushkin (1962), and Ehrlich and Liu (1991), showing that health is another important source of economic growth as well. Barro (1996) first proposed a theoretical framework incorporating health into the production of outputs. Van Zon and Muysken (2001, 2003) extended the Lucas (1988) model and followed the idea of Grossman (1972) by introducing health into both the production function and utility function.

According to empirical study of Mayer et al. (2001) health plays an important role in promoting economic growth and contributes more to economic growth than education. There are also some empirical studies considering human capital in the form of both health and education and the results are quite mixing. Knowles and Owen (1995, 1997) showed that there was a significant statistical relationship between health and growth with education having a modest role. In contrast, Webber (2002) reached different conclusions and argued that growth oriented policies should focus on investments in education over health. Yet in another study, McDonald and Roberts (2002) conducted a panel data analysis of 77 countries and their findings seem to be consistent with those of Knowles and Owen (1995). Bigger income may have impact on health through factors that directly or indirectly improve health, such as a more nutritious diet and better living conditions. Wealthier people thus are on average also healthier (Deaton, 2003; Pritchett and Summers, 1996). Empirical studies controlling for endogeneity and third factor problems have confirmed that the observed positive relationship between income per capita and health is not. While increased income per capita has a positive effect on health, increased income per capita has a non-linear relationship with environmental quality for many pollutants. According to the environmental Kuznets curve hypothesis, environmental quality at first tends to worsen as GDP per capita increases but then tends to improve as GDP per capita increases further. Pollution emissions can reduce the amenity of the environment. Additionally, pollution exposu-

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re has a negative impact on health, which in turn is associated with reduced labor productivity. Grossman and Krueger (1993 and 1995), empirical studies have demonstrated a non-linear relationship between income per capita and the environment for many pollutants (Panayotou, 1993; Copeland and Taylor, 2004). Environmental quality at first tends to worsen as GDP per capita increases but then tends to improve as GDP per capita increases further, so there is an inverted U shaped relationship between GDP per capita and pollution. Pollution is typically a result of production or consumption. Assuming that pollution is roughly proportional to output, an increased economic output level will translate into a higher pollution level. This is the scale effect. Technological improvements may also affect pollution levels. As people become richer, they are more willing to invest in higher environmental quality. To the extent that national policies incorporate this concern, new regulations will encourage or require producers to adopt environment-friendly production techniques. This is the technique effect. Moreover, industries differ in the types and amounts of pollution associated with production and consumption. Agriculture tends to create more water pollution than services, while manufacturing tends to cause more air pollution than services. The change in total pollution due to changes in the composition of output is the composition effect. Combining the three effects, environmental quality is conjectured first to deteriorate with an increase in income per capita, but this tendency may be modified by favorable technique and composition effects as income per capita increases further. Studies of relationship between health and the environment have linked adverse health impacts to pollution. For example, air pollution is associated with a higher infant mortality rate and increased incidence of respiratory and cardiovascular disease, whereas water pollution affects drinking water quality and is associated with kidney cancer. These adverse health consequences from pollution exposure are associated with an increase in health care expenditure and may also reduce economic growth.

Recent economic research that examines the impact on infant health from pollution reduction due to the 1970 and 1990 Clean Air Act Amendments suggests that pollution reduction reduces infant mortality rates (Chay and Greenstone, 2001 and 2003; Currie and Neidell, 2004). Empirical studies have also found that income per capita is positively associated with increased life expectancy at birth and reduced mortality rates (Preston, 1975; Feinstein, 1993; Dodger, 2002). Increased income may have a favorable impact on health through several channels, including a more nutritious diet, more education, a better working and living environment, and access to health insurance. However, the observed positive relationship between income per capita and health is subject to reverse causality and third-factor problems. There is also a positive influence from health to income. Good mental and physical health leads to higher labor productivity and thus increases labor compensation. Third factors such as good governance, good education, and national health care programs affect both income levels and health (Pritchett and Summers, 1996; Bloom and Canning, 2005; Deaton, 2003 and 2006; Cutler, Deaton, and

Lleras-Muney, 2006). However, studies controlling for endogeneity and third-factor problems in the estimation confirm that the positive relationship between income per capita and health is causal and structural (Ettner, 1996; Pritchett and Summers, 1996; Meer, Miller, and Rosen, 2003). For example, Pritchett and Summers (1996) find that “[i]n 1990 alone, more than half a million child deaths in the developing world could be attributed to poor economic performance in the 1980s.”

**Objective** To study that our society is also moving ahead at the same rate as the economy is increasing or there is a space between economic and social progress of the world in general and country in particular. if there is a gap between the two then it would be very severe situation since it may broaden the gap between the different strata of society. There are various measures to identify such changes and short out in planned way. In this paper efforts are made to know whether initiatives taken by government and private players for social upliftment are sufficient or what are the areas where government, corporate and citizen's together act for this change. This paper is an attempt to identify such areas of improvement. An attempt would be made to study economic vs. social progress and will try to suggest where Corporate Social Responsibility can contribute.

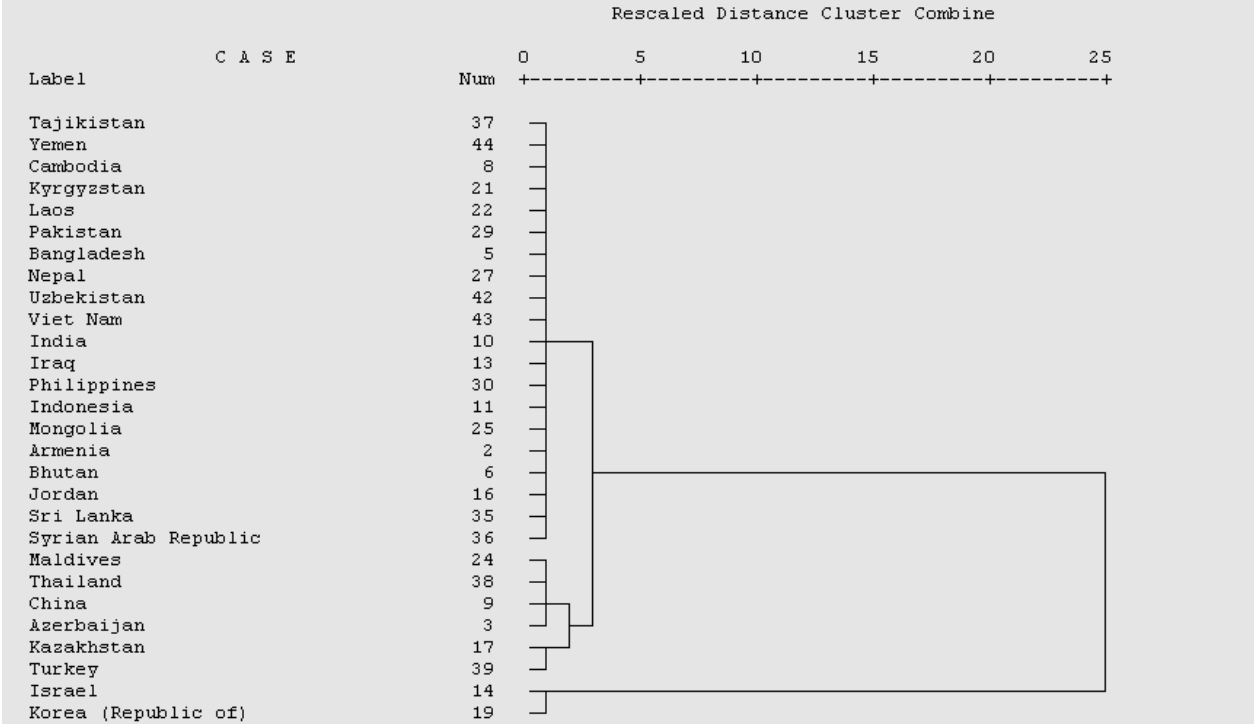
**Research Methodology** CSR is emerging as a new field in the management research. All over the globe, many firms have taken the initiatives of CSR practices which have met with varying needs of the society. The present study has made an attempt to understand the status and progress and initiatives made in context to CSR policy framing and implementation through macroeconomic indicators. Data has been collected for GDP per capita (2005 PPP \$), Human Development Index (HDI) value, Combined gross enrolment in education (both sexes) (%) and Carbon dioxide emissions per capita (tones) from the official websites of UNDP (<http://hdr.undp.org>), and through structured questionnaire. The CSR initiatives in context to health, education and environment along with economic growth are studied. Recently, World has entered or taken a transformational change by involving into new CSR initiatives, but still a lot has to be done in Asia in particular and World in general. Data has been collected for selected macroeconomic indicators from 195 countries and analyzed through correlation and cluster analysis techniques.

**Statistical Analysis** Analysis of data for 195 countries on the basis of Human Development Index, Per Capita GDP, Health Index, Education Index and Carbon Index categorized the world in two groups. First includes almost all European countries, Australia and United States (three continents) and other group consists of rest of the world. In case of same analysis for Asian countries we can observed from figure 1 that east Asian countries are seems better performer than south Asian particularly China, Thailand and Maldives.



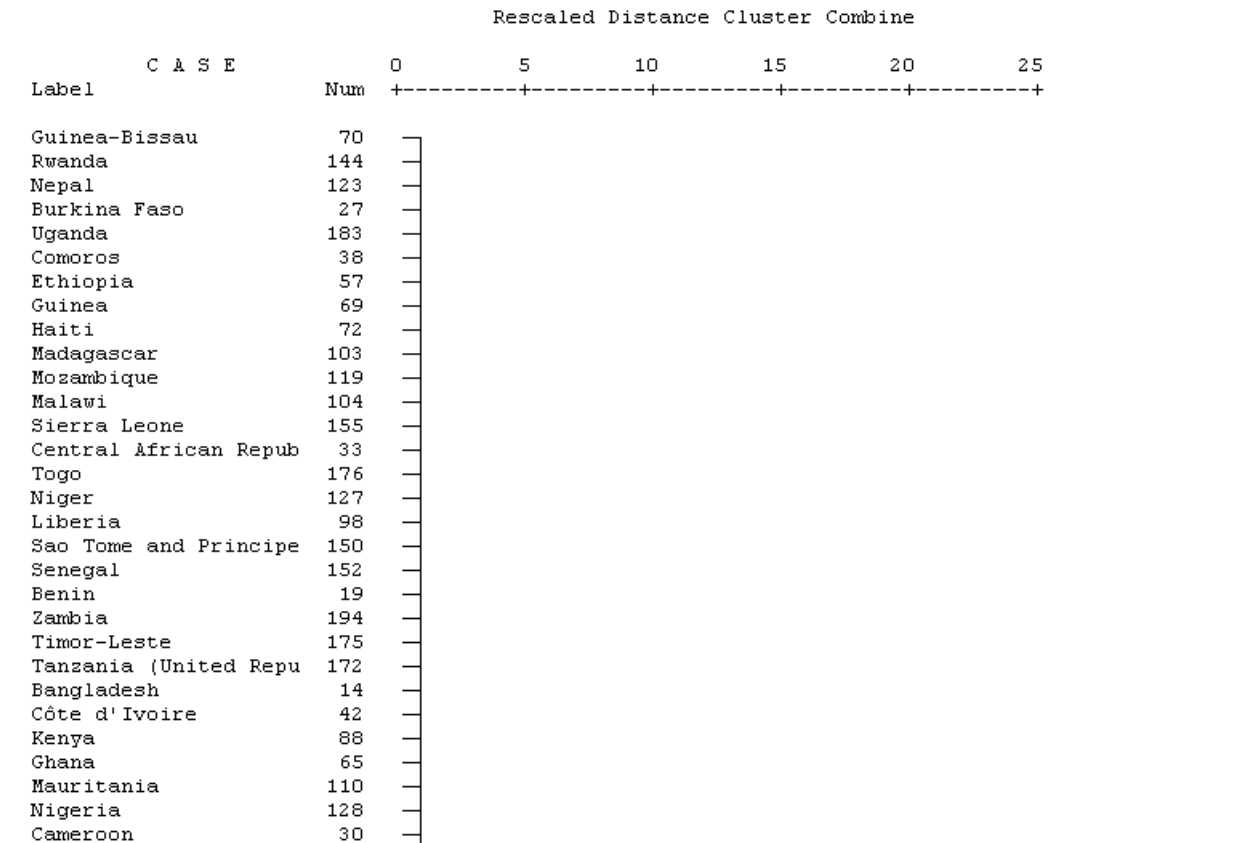
\*\*\*\*\* H I E R A R C H I C A L C L U S T E R A N A L Y S I S \*\*\*\*\*

Dendrogram using Average Linkage (Between Groups)



\*\*\*\*\* H I E R A R C H I C A L C L U S T E R A N A L Y S I S \*\*\*\*\*

Dendrogram using Single Linkage



Djibouti	48
Cambodia	29
Tajikistan	171
Yemen	193
Kyrgyzstan	93
Lao People's Democrat	94
Pakistan	131
Nicaragua	126
Moldova (Republic of)	114
Viet Nam	192
Uzbekistan	189
Guyana	71
India	77
Honduras	73
Philippines	138
Iraq	80
Armenia	8
Bhutan	20
Angola	5
Jordan	86
Swaziland	167
Georgia	63
Syrian Arab Republic	170
Sri Lanka	164
Egypt	52
Indonesia	78
Mongolia	116
Guatemala	68
Morocco	118
Bolivia (Plurinational)	21
Congo	39
El Salvador	53
Namibia	121
Ukraine	184
Jamaica	84
Suriname	166
Albania	2
Maldives	106
China	36
Ecuador	51
Bosnia and Herzegovina	22
Thailand	173
Bulgaria	26
Kazakhstan	87
Venezuela (Bolivarian)	191
Brazil	24
Montenegro	117
Costa Rica	41
Romania	142
Azerbaijan	11
Colombia	37
Peru	137
Dominican Republic	50
Serbia	153
South Africa	161
The former Yugoslav R	174
Latvia	95
Panama	134
Gabon	61
Mauritius	111
Mexico	112
Lebanon	96
Belarus	16
Uruguay	188
Turkey	180
Estonia	56
Poland	139
Hungary	75
Lithuania	101
Argentina	7
Chile	35
Croatia	43
Netherlands	124
Switzerland	169
Canada	31
Ireland	81

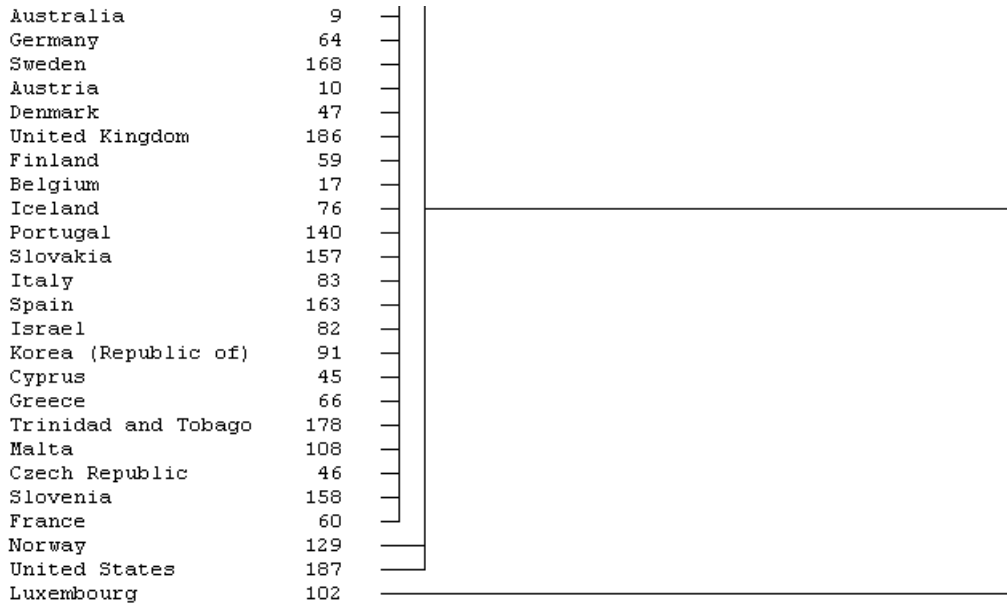
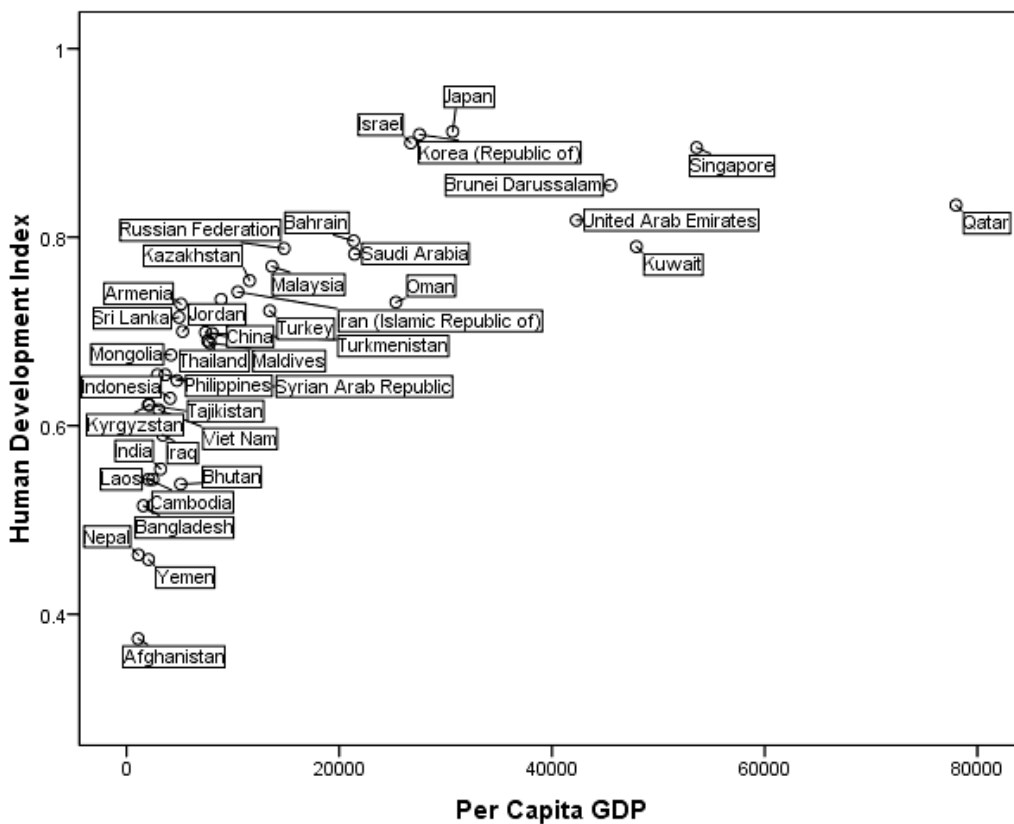


Figure 1 Cluster Analysis for World (195 countries) Vs. Asian Countries

As per figure 1 it can be observed that Human Development Index, Per Capita GDP, Health Index, Education Index and Carbon Index are significantly associated with each other. Thus, if there is increase in economic growth of the country than there should be growth in other aspect also.



**Correlations Analysis**

		Human Development Index	Per Capita GDP	Health Index	Education Index	Carbon Index
Human Development Index	Pearson Correlation	1	.745 <sup>**</sup>	.902 <sup>**</sup>	.932 <sup>**</sup>	.547 <sup>**</sup>
	Sig. (2-tailed)		.000	.000	.000	.000
	N	187	181	187	137	180
Per Capita GDP	Pearson Correlation	.745 <sup>**</sup>	1	.618 <sup>**</sup>	.767 <sup>**</sup>	.772 <sup>**</sup>
	Sig. (2-tailed)	.000		.000	.000	.000
	N	181	181	181	136	175
Health Index	Pearson Correlation	.902 <sup>**</sup>	.618 <sup>**</sup>	1	.777 <sup>**</sup>	.413 <sup>**</sup>
	Sig. (2-tailed)	.000	.000		.000	.000
	N	187	181	194	137	184
Education Index	Pearson Correlation	.932 <sup>**</sup>	.767 <sup>**</sup>	.777 <sup>**</sup>	1	.639 <sup>**</sup>
	Sig. (2-tailed)	.000	.000	.000		.000
	N	137	136	137	137	132
Carbon Index	Pearson Correlation	.547 <sup>**</sup>	.772 <sup>**</sup>	.413 <sup>**</sup>	.639 <sup>**</sup>	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	180	175	184	132	184

\*\* . Correlation is significant at the 0.01 level (2-tailed) .

Figure 2: Correlation between Human Development Index, Per Capita GDP, Health Index, Education Index and Carbon Index.

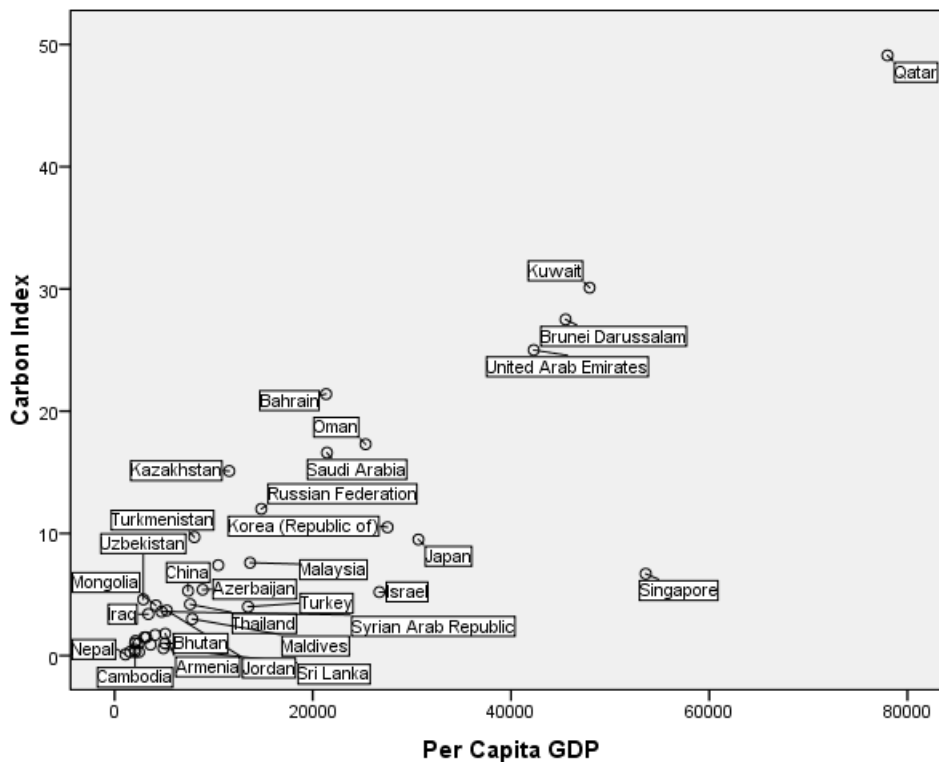


Figure 3: Chart for Per Capita GDP vs. Human Development Index

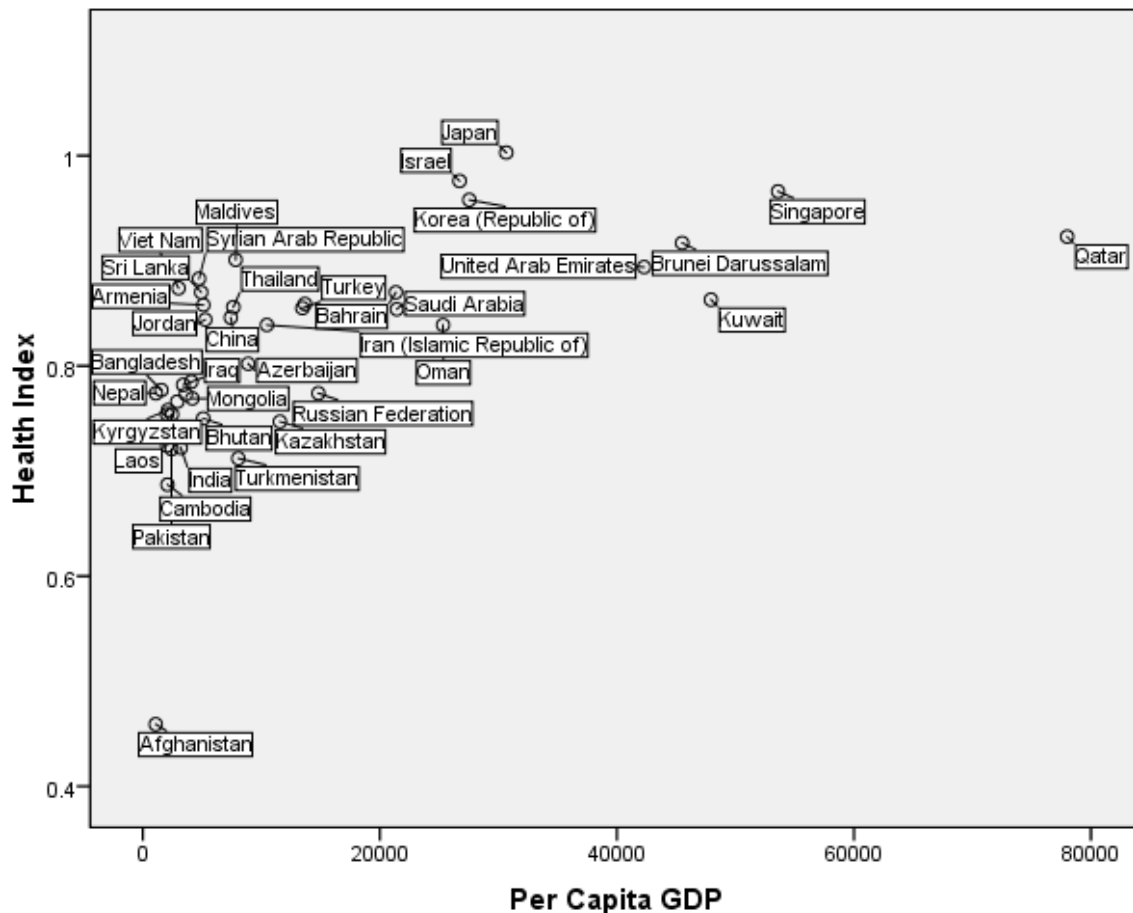


Figure 4: Chart for Per Capita GDP vs. Health and Carbon index

It seems almost true but if we look at chart for Per Capita GDP vs. Human Development Index there are countries that have almost same per capita GDP but there is higher human development. Almost similar results are from Chart for Per Capita GDP vs. Health and Carbon index (figure 4). Close scrutiny of analysis shows that mismatch is more in case of more populated countries.

## Conclusion

Economic growth is a means to an end, not an end in itself. Public policies cannot simply seek to increase economic growth without consideration of wider social welfare concerns. Increasing social welfare is desirable, unless economic growth aids this outcome; it in itself is not desirable. Responsible for the society means of preserving the environment, minimizing the wastage of natural resources, helping the needful, conducting educational camps, promoting education running schools/ NGO's, recycling of products, counseling sessions awareness programs regarding the health. With increasing and widespread commitment of corporate resources to CSR, attention is now shifting to the strategic formulation, implementation, and measurement of the market returns to CSR initiatives. But still a concern to companies is whether their focus on "doing good," will provide positive returns to their CSR

actions. Emphasize needed for better measurement models of CSR that capture and estimate clearly the effects of a company's CSR actions on its stakeholders as well as the nations in which they are operating. In this paper we have tried to highlight that almost in four out of seven continents mostly where there is more populated and developing economies are progressing at a growth which is much higher to its social growth. It is increasing the gap between the different strata of society in the country in terms of employment, human development, capital distribution and poverty. Public sectors companies and government are continuously introducing reforms to achieve the balance but it seems that it is not sufficient to bring revolutionary changes in the social progress. So there is urgent need that all stakeholders in national economic development put synergistic effort to create a impact. This balancing has to be achieved or growth has to be stabilized in respect to social growth else the divergence between them will cross a threshold and after that a downfall will come which will direct to a stagnancies in growth. It is self evident that such economic growth is considered a success of the economic policies implemented. However, economic growth has also long been considered a sign of successful social policies.

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## Author's Profile

### Surender Kumar



*Dr. Surender Kumar has done his Doctorate in Statistics from the Department of Statistics and Operational Research, Kurukshetra University Kurukshetra, Haryana. He has more than 10 years of research experience and more than 8 years of experience in academics with various management institutions. Prior to joining JRE School of Management, he worked with GBS - Greater Noida, IILM - New Delhi, AIM - New Delhi and ICFAI.*

### Pawan Gupta



*Pawan Gupta is a fellow member of the Institute of Cost and Works Accountants of India and Affiliated member of the Energy Institute - UK. He has served various renowned management institutes as core or visiting faculty like IILM, UPES, IMT, Galgotias Group of Institutions.*





## Corporate Social Responsibility – Indian Context

**Krishna Shekhar Lal Das<sup>1</sup> Deepesh Gupta<sup>2</sup>, Kunal Gupta<sup>3</sup>**

<sup>1</sup>Asia-Pacific Institute of Management, New Delhi India

<sup>2,3</sup> Research Scholar, Singhania University, Jhunjhunu, Rajasthan, India,  
shekhar62@gmail.com, deepeshgupta80@gmail.com

### **ABSTRACT**

*Companies like TATA and BIRLA have been imbibing the case for social good in their operations long before CSR became popular in current context. Now CSR in India is in a very emerging stage. It is followed by few public and private companies. Nearly all leading companies in India are involved in Corporate Social Responsibility activities. Central Government even working for the quantifying the CSR initiatives to promote them further. Moreover, in 2009, the government made it in a Bill, mandatory for corporate to spend 2 per cent of their net profits on corporate social responsibility. There is no doubt that by undertaking CSR activities the corporate gains more profit, benefit, and legitimacy all at once.*

### **INTRODUCTION**

In India doing philanthropic and charity by corporate has been tradition and in this regard Corporate Social Responsibility (CSR) is quite an old concept and the CSR activities got an important space during British India. During pre independence corporate such as the TATA and Birla's have had history of good CSR practices. In the current context this concept picked up momentum after economic liberalization since 1991. Although these industrial organizations had paid attention to large social welfare program's but the 1991 reforms was major impact on bringing CSR into the core focused areas for market growth in the economy.

Since then there has been quite a good progress in the tripartite relationship amongst the Corporate, government and the society and CSR has become increasingly prominent in the Indian scenario. The companies have now realized that besides market growth, it is also essential for them to sustain that position by building a trustworthy relationship with the community.

In India CSR also entered into the issue of environmental protection and therefore the CREP (The

Corporate Responsibility for Environmental Protection) was formed in 2003. A guideline for a set of non-mandatory norms for 17 polluting industrial sectors has been set but there is no real pressure for implementation or internalization. An ethical being which claims to respect the earth cannot have discontinuities in its practices.

Demand for ensuring the contribution of private capital in public welfare was also reflected in a policy initiative wherein the government proposed to make CSR mandatory, and not voluntary for the corporate. In 2008, a new Company Bill was drafted with a proposal to make CSR mandatory for companies and also with a proposal that companies must spend two percent of their profits on CSR activities. The Companies Bill (2008) lapsed with the dissolution of the 14<sup>th</sup> Lok Sabha.

After the lapse of 2008 bill a new one was introduced in parliament in the year 2009 which established that it would be mandatory for “every company having - net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more during a year - shall be required to formulate a CSR Policy to ensure that every year at least 2% of its average net profits during the three immediately preceding financial years shall be spent on CSR activities as may be approved and specified by the company. The directors shall be required to make suitable disclosures in this regard in their report to members.” It was also stated that “In case any such company does not have adequate profits or is not in a position to spend prescribed amount on CSR activities, the directors would be required to give suitable disclosure/ reasons in their report to the members”.

“We will encourage a voluntary approach on CSR initiatives of private sector. We will act as facilitators for companies to adopt social, environmental and economic responsibilities,” Mr Moily said at an event. The mandatory nature of the corporate social responsibility clause has been in conflict from the time it was initiated. The companies stand strongly against this emerging idea as they feel that the whole concept ought to be voluntary and not mandatory.

TNC's in India focus more on creating their goodwill, reputations and sole identities associated with being a good corporate citizen before the society. CSR is no more a formality for the companies, due to more categories of competition the companies are integrating companies with their market plan. The state should understand that there is no need to make this concept binding on the companies as it is now an essential part of the company's growth strategy.

There has not been any clear definition or criteria for deciding what can be categorized as a corporate social responsibility of a company. The Norwegian Embassy and Innovation Norway have established

a CSR Forum for Norwegian businesses in India, called the NPR Advisory Group. This Forum comprises major Norwegian businesses established in India.

The Dutch companies in India have developed a policy on corporate social responsibility to identify good practices and potential bottlenecks in the implementation of such policy and to support companies in finding practical solutions. The CSR principles are divided into four CSR aspects: operational principles (on how companies can give account for their actions), social, environmental and economic sustainability.

### **The Operational CSR Aspects**

1. Development of CSR policy;
2. Supply chain responsibility;
3. Stakeholder involvement;
4. Transparency and reporting;
5. Independent verification.

**Social CSR Aspects-** The social CSR aspects mainly concern development of the society by the initiatives of the companies which include Human rights, National sovereignty and local communities, Labour, Consumer protection.

**Environmental CSR Aspects-** environmental aspect of CSR is defined as the duty to cover the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the enjoyment of the country's resources by future generations.

**Economic CSR Aspects-** The economic CSR aspects deal with certain areas like Corruption, Fair competition, Taxation, Science and technology.

Although the above system gives a wide idea of the concept and is applicable on all Dutch Indian collaborations, yet the idea is still rough and some companies still worry from applying the above policies in there process of functioning. Some companies still think that there social responsibilities are fulfilled by providing lunch to their employees. The concept has to be studied and the process followed in the other nations has to be observed for establishing strict criteria for this concept. In India the Companies act of 1956 has many clauses but these are not appropriate for the present economic scenario and business functioning and therefore new laws had to be formed which fitted the present

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business trend. The Companies bill 2008 what was brought in the parliament, the legislation lapsed due to the dissolution of the Lok Sabha in 2009. The new bill has been tabled in the parliament (Companies bill, 2009)<sup>1</sup> which is working its way through various committees.

There has been strong resistance on the mandatory clause in new bill by corporate functionaries. This clause has created a lot of debate and the reason for the debate is it being imposed with a mandatory nature, although the report of the standing committee has stated that no oversight mechanism will be formed or has been thought of for monitoring the social obligation. It has been said that the disclosure method will be applied in this and whatever is being done will be in the public domain. The industry is not in favor of the mandatory clause. Introduction of Corporate Social Responsibility (CSR) as a concept in the Bill, requiring bigger companies to make disclosures about their CSR policies and activities there under.

Wipro Chairman Azim Premji had on the behalf of the India Inc has expressed their protest against the mandatory nature of the corporate social responsibility in the bill. He said that the people on the board are sufficiently conscious regarding the matter and corporate social responsibility cannot be created with statutory requirements. He had made a statement regarding the matter at a conference with Warren Buffet and Bill and Melinda Gates.

Chief Election Commissioner SY Qureshi in his statement regarding the issue made it clear that CSR will now be a reason for survival of the company rather than a medium to do charity.

Montek Singh Ahluwalia supports the India's Inc. stand regarding the issue stating that this would amount to “privatizing taxation”. "There are certain proposals that you should introduce a legal requirement that companies should spend a certain percentage of their profits on CSR (Corporate Social Responsibility). I am not in favour of that," Ahluwalia said here adding, "that amounts to privatizing taxation”. He had also stated that if the government wanted it can increase the rate of tax from 30% to 32% rather than making it mandatory for the companies to spend 2% on CSR. He said you cannot ask the company to spend corporate tax and then ask them to spend a separate amount on CSR.

Companies in India follow the trend “better the CSR policy, the more the sales”. The trend affects most of the product categories which are bought on daily basis which means that consumers are making purchase decisions every day. This could be one of the major reasons why Indian FMCG companies are

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Companies bill 2009, twenty first report by ministry of corporate affairs

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most actively engaged in responsible activities and rank on top in the latest Associated Chambers of Commerce and Industry of India (ASSOCHAM) report on CSR by Indian corporate. The report says that of 175 Indian companies studied, 52 companies in the FMCG sector have taken the maximum of CSR initiatives. This was followed by the chemical sector and then the IT sector. Most of the initiatives taken by the companies primarily focus on welfare of the community. 'Community welfare' ranks on top in the priority list in the ASSOCHAM study. The second most-sought-out CSR initiative was providing education and enlightening the rural youth in the country. Though there has been evidence of a paradigm shift from charity to a long-term strategy, the concept is still believed to be strongly linked to philanthropy. There is a need to bring about an attitudinal change in people about the concept by having more coherent and ethnically driven discourses on CSR,' wrote Swati Piramal, president, ASSOCHAM<sup>2</sup>, in one of her articles related to the report. 'It has to be understood that CSR is about how companies balance their business ethics and behavior with business growth and commercial success along with a positive change in the stakeholder community,' Piramal added.

### **Critical Issues behind CSR**

Despite India having long tradition of philanthropy, it has also a long history of highly irresponsible and inhuman behavior of the corporate. On the one hand, there are examples when businessmen donated money and played important roles in establishing charitable institutions for the poor people; while on the other hand, there are innumerable examples of large-scale human tragedies created by the corporate, more so as a result of their zeal just to earn some more profits, or to avoid the loss of profits. Bhopal Gas Tragedy in 1984 is the representative picture of the monstrous face of the corporate, which appears again and again in the form of high incidences of Occupational Health & Safety tragedies in factories and construction sites; large –scale human tragedies caused by environmental pollution; also in the form of large scale destruction of livelihood systems and displacement of the people due to land acquisition and corporate made environmental disasters.

For many large corporations, CSR is primarily a strategy to divert attention away from the negative social and environmental impacts of their activities. In the Indian context, CSR mostly involves activities like adopting villages for holistic development, in which they provide medical and sanitation facilities, build school and houses, and helping villages become self-reliant by teaching them vocational and business skills. Such corporate strategies have been effectively hegemonic, providing a strong legitimacy and license for corporations to sustain the exploitation of human and natural resources. More importantly, it leads people to wrongly assume that the business houses, and not the

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<sup>2</sup> ASSOCHAM-Recommendations of corporate social responsibility

states, are responsible for citizens' basic rights to better education, clean water, healthcare, etc. it disciplines the un-informed poor motivating them to behave in ways that make state regulation obsolete, while leaving them at the mercy of market forces.

Corporate houses use CSR projects as a green-washing<sup>3</sup> and marketing strategy rather than as responsibility. The rights of workers at shop floors have, in fact, been deliberately neglected and violated for the sake of higher profit, exposing the real corporate sense of responsibility. In addition to Bhopal Gas disaster, other notorious case is the glossy CSR report of Hindustan lever Limited (Hindustan Unilever), the Indian subsidiary of Unilever PLC, the country's largest package mass consumption goods company that deals in home and personal care products, food and beverages. The CSR report of Hindustan Unilever on 'improving health and wellbeing of people' in India<sup>4</sup> is an extreme contrast with the company's ruthless ways of dealing with workers. In its Doom Dooma factory in Assam about 700 workers and union leaders have been attacked since 2007 for asserting their basic rights. Hindustan Unilever has been involved in a number of CSR initiatives by promoting programmes such as Project Shakti of Unilever. The project is aimed at creating rural entrepreneurs by providing training to 13000 underprivileged Indian women, who are trained to distribute the company's products to 70 million rural consumers. Working with women's self-help groups, the company teaches them selling and book-keeping skills and equips them with commercial knowledge<sup>5</sup>.

GMR has acquired huge amount of land affecting displacement of more than 1300 families of four villages in Angul region of Odisha, India with the majority being SC and ST. GMR uses CSR to appease people's anger against the taking over of their inherited resources. On local activist furiously voiced, "companies are destroying all the livelihood of the people and destroying all their water resources to make them and their generations face hunger and thirst for whole life, and then (through CSR ) they are doing a charity by offering good clothes and good shoes"<sup>6</sup>.

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<sup>3</sup> Greenwashing is an amalgam of 'green' and 'brainwashing'. Environmentalists often use green washing to explain the action of energy companies, which are traditionally the largest polluters. See [http://en.wikipedia.org/wiki/Green\\_washing](http://en.wikipedia.org/wiki/Green_washing) for further explanation.

<sup>4</sup> Report on 'Improving Health and Wellbeing of People' is available at [http://www.hul.co.in/Images/USLP%20India\\_tcm114-241468pdf](http://www.hul.co.in/Images/USLP%20India_tcm114-241468pdf) (assessed on 1 November 2012).

<sup>5</sup> Muruganatham G, 'Case study on Corporate Social Responsibility of MNC's in India', International Trade & Academic Research Conference, London 2010. Available online at <http://abrmr.com/pdf/case%20study%20on%20corporate%20social%20social%20responsibility.pdf>

<sup>6</sup> Pratap Surendra and Sanjiv Pandita (2012), The Reality of Corporate Social Responsibility: Case Studies on the Impact of CSR on Workers in China, South Korea, India and Indonesia (AMRC: Hong Kong), p. 105

The cases clearly show that CSR is merely marketing gimmick and an effective exercise in green-washing. On the one hand, the company deliberately neglects the rights of its own workers at the workplace, while, on the other hand, builds a good image of contributing to the society. Exploiting a large number of women under the banner of CSR by involving them in selling and distributing the Unilever's products, Hindustan Unilever in fact has increased its profit manifold. The women participating in the project have been reaching out to the Indian domestic market that helped Unilever to get 30 per cent more consumers in rural areas since the inception of the project in 2000.

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