

Corporate Social Responsibility: A Review

Abstract

With the growing business world, development and widespread commitment of corporate resources to CSR, attention is now shifting to the strategic formulation for sustainability, proper implementation, and accountability of the market returns to CSR initiatives. In this paper we have tried to highlight the different strategic issues discussed in literature. We also focus the role of corporate social responsibility toward the development of the society. Public sector companies and government are continuously introducing reforms to reinstatement of the social and ecological environment. The different programme being run by the government is also point of discussion in the end.

Keywords: CSR, Sustainability, Growth.

Introduction

Corporate social responsibility (CSR) refers to the obligation of a firm towards all their stakeholders which include the shareholders, employees, customers, society and natural environment in all aspects of their operation. CSR is a concept with many definitions and approaches. The way it is understood and implemented differs greatly from company to company and country to country. Moreover, CSR is a wide concept that addresses various topics such as human rights, health and policy, education, sanitation, environmental effects, working conditions and share in economic development.

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 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."

United Nations Development Organisation (UNIDO) define CSR with industry exchange in following ways: "Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR understood as being the way through which a company achieves a balance of all areas such as economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while at the same time addressing the expectations of shareholders and stakeholders. In other way, we can say that it is distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

UNIDO defines CSR are as follows: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures. It covers many areas of the economy to understand the concept of CSR.

Milton Friedman defines corporate social responsibility in "Capitalism and Freedom" are as follows:- "There is one and only one social responsibility of business, to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say engages in open and free competition without deception or fraud." The main objective of the capitalism is to earn the profit. Neither of the corporate social responsibility definitions touches upon sustainable development, which is the ability to renew natural resources at a rate equal to its ability to regenerate.



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Review of Literature

A review of literature in CSR shows that there are a large number of articles which have been written by several academicians on this subject from numerous perspectives, Corporate Social Responsibility (CSR) has historically received a large attention in the business world, the discussion around this issue is nowadays gathering an exceptional significance, both in the academic community, society as well as among the stakeholders of the firms.

Bowen (1953) discussed the concept of Corporate Social Responsibility in his book "Social responsibilities of the businessman" in different way. This book was a comprehensive discussion of business ethics and social responsibility of business. It created a foundation by which business executives and academics could consider the subjects as part of strategic planning and managerial decision-making.

Balakrishnan and Mohan (2008) discussed the CSR concept in his paper "Corporate Social Responsibility: A Philosophical Approach from an Ancient Indian Perspective" In this paper, discussed the philosophy of Corporate social responsibility (CSR) from an ancient Indian perspective. This article explained the CSR from the philosophical, historical and the ancient perspectives. It provides insights on CSR philosophy from the ancient Indian perspective. In the Indian context, the origin of CSR can be traced from the Vedic literatures such as the Valmiki Ramayana, the Mahabharata (includes the Bhagavad-Gita) and the Puranas. These literatures were written more than 5,000 years ago in Sanskrit language. However, in this paper the authors explored CSR philosophy from Kautilya's Arthashastra, which was also written in Sanskrit in the 4th century BC. This paper is based on hermeneutics, a qualitative research methodology which involves study, understanding and interpretation of ancient or classical text. In a nutshell, the Kautilya's Arthashastra provides an inside-out approach to CSR, which is development of the individual leader's self conscience, contrary to the western approach that takes an outside-in perspective. The leaders and the role they play in corporations are crucial in ensuring

transparency, good conduct and governance towards the ultimate aim of achieving CSR.

Fátima Guadamillas-Gómez, Mario J. Donate-Manzanares and Miha Skerlavaj (2010) discussed in his paper "The integration of corporate social responsibility into the strategy of technology-intensive firms: a case study". They discussed a new perspective which calls for an integration of ethics and corporate social responsibility (CSR) into the company strategy as a source of competitive advantages. They explore how a company can successfully carry out this integration of CSR into its strategic management, for which a model that includes three stages – introduction, implementation and generalization of CSR – is presented. It is based on an exploratory case study within a Spanish technology-intensive firm (Indra), It shows the way how company has developed and implemented an explicit plan for the integration of ethical values and CSR initiatives into its corporate and business strategies. This paper highlight the way Indra is carrying out the integration of CSR into its corporate and competitive strategies, following a process which basically includes four main stages: CSR vision establishment, CSR problems diagnosis, CSR development plan and CSR communication. The main contribution of this paper is the exploratory description of a technology intensive case study where ethical principles and CSR are implemented in company's strategy. In turn, positive relationships with stakeholders seem to contribute to generation and sustainability of a competitive advantage for the company.

Rajiv Kashyap, Raza Mir, Ali Mir (2004) trace the evolution of the CSR concept in various business disciplines and synopsise interrelated constructs and themes.

They discussed the concept with regard to three questions (see Table 1):

1. What is corporate social responsibility?
2. Why should firms pursue social responsibility objectives?
3. How does it affect firm performance?

Table 1 Evolution of the Corporate Social Responsibility Concept

Corporate Social Responsibility Content	Motivations for CSR	Effects of CSR on Firm Performance
Attempts to define CSR	Socially responsible decisions can	Not possible to gauge economic
"Businessmen... must follow those lines of	have long term benefits	impacts of socially responsible
action which are desirable in terms of	Davis (1960)	in most cases.
objectives and values of our society."		Manne and Wallich (1972)
Bowen (1953)		
Broadening of scope of CSR to include:	Firms need to balance multiple	Lexicographic view of social
Consideration of employee and community	interests to ensure achievement of	responsibility:
welfare and educational and political needs	multiple goals and long-run profit	Firms pay attention to social issues
of society. McGuire (1963)	maximization	only after meeting profitability goals.
Service to improve the quality of human	Johnson (1971)	Johnson (1971)
life.		
Committee for Economic Development		
(1971).		
Acknowledgment of managerial role in	Iron Law of Responsibility:	Theory of slack resources states that
discharging CSR:	Businesses must behave	firms that have resources to spare
	responsibly	

Quality of managerial response to changing societal expectations is explicitly mentioned.	or lose the power and legitimacy granted by society. Davis (1973)	outperform those that don't in terms of social performance. Waddock and Graves (1997)
Committee for Economic Development (1971).		
Businesses must not spoil society and provide solutions through voluntary assumption of obligations.		
Manne and Wallich (1972)		
Delineation of CSR and Actionable Models: CSR encompasses economic, legal, ethical, and discretionary expectations of society.	Normative stakeholder theory: Firms are moral agents due to contractual obligations to satisfy societal expectations.	Social problems can be turned into business opportunities to create wealth. Drucker (1984)
Carroll (1979)		
Corporate Social Performance (principles, processes, and policies).	Donaldson (1983)	
Wartick and Cochran (1985)		
Corporate Social Performance Framework <i>Principles, Processes, Outcomes.</i>		
Wood (1991)		

Delimiting the Scope of CSR and Development of Complementary Constructs Stakeholder Theory Businesses are responsible to those who can affect or are affected by its purposes. Freeman (1984) Enviropreneurial Marketing Menon and Menon (1997) Corporate Citizenship Maignan, Ferrell, and Hult (1999) Corporate Environmentalism Bannerjee, Iyer, and Kashyap (2003)	Instrumental stakeholder theory Firms must satisfy stakeholders because they are instrumental to achieving firm objectives. Freeman (1984)	Environmentalism improves business performance Environmentally responsible firms can garner competitive advantages through cost reductions, differentiation potential, and strategic direction. Porter and van der Linde (1995); Hart (1995) Klassen and McLaughlin (1999); Judge and Douglas (1998)
Corporate Sustainability Corporate Sustainability demands attention to economic, environmental, and social issues. van Marrewijk (2003)	Sustainable Theory of Firm Satisfying stakeholders is the sole purpose and reason for a firm's existence. McWilliams and Siegel (1995); Stead and Stead (2001) Sustainable Value that Strategies simultaneously drive sustainable development and value create shareholder sustainable value. Hart, Milstein, and Caggiano (2003)	Sustainable Growth: "a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments." Dow Jones Sustainability Index 1999

Source: Rajiv Kashyap, Raza Mir, Ali Mir, Evolution of the Corporate Social Responsibility Concept, Corporate Social Responsibility: A Call For Multidisciplinary Inquiry, Journal of Business & Economics Research Volume 2, Number , pp.51-58, 2004.

Rahmana, Febrizal (2017) analyzed the performance of the state-owned enterprises (SOEs) economic growth which can moderate the that apply corporate social responsibility which is

mediated by leadership and commitment. In view of this, the study investigates whether CSR has an influence on the leadership which affects the performance of SOEs. In addition, the relationship of leadership and performance mediated by organizational commitment, meanwhile economic growth moderate the relationship between leadership and performance. The research methods used structural equation model (SEM) with computer software LISREL and regression with computer software SPSS. The data were collected from 225 respondents consisting of middle and top management level in three SOEs. The finding shows that CSR has a positive effect on leadership with *t*-test at 8.76 and leadership also had a positive effect on the performance of SOEs with *t*-test at 2.68. This study showed that economic growth could moderate the relationship between leadership and performance of SOEs with significance level smaller than 0.05. The work of Rahmana shows a significant implications in contribution to the economics, particularly sustainable development in line with the direction of national development in the SOE performance with the adoption of CSR. Besides that providing input to decision-makers in the SOEs thereby they could make CSR as corporate strategy.

Theoretical Framework

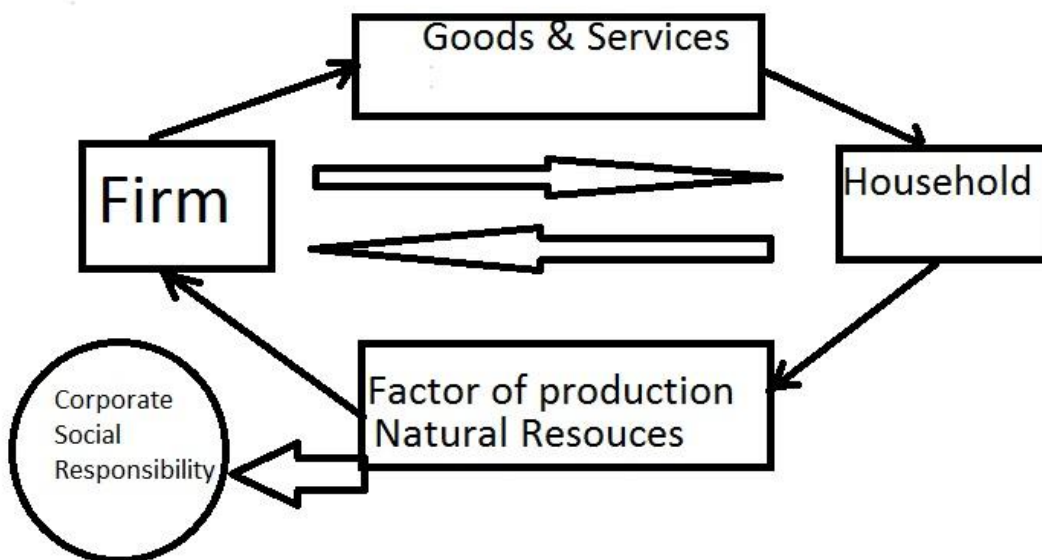
The circular flow of income is a concept for better understanding of the human being, society, organization, environment and economy, as a whole. In its most basic form it considers a simple economy consisting solely of business firm and individuals, and can be represented in a so-called "circular flow diagram." The business cannot survive in the vacuum. In this simple economy, individuals provide the factor of productions (land, lobour, capital and enterpreunership) that enables businesses to produce goods and services. All the raw material required for

the production of goods and services came from the society/. Businesses have the responsibility to protect the society and environment. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders (Commission of European Communities, 2004).

Businesses provide individuals with income (in the form of compensation) in exchange for their factor of productions. That income is spent on the goods and services businesses produce. Business is fully dependent upon the civil society for fulfilling its infrastructural requirements concerning men, materials and all other facilities and can no way survive on its own (Handy; 2002).

The circular flow diagram discussed the interdependence of the "flows," or activities, that occur in the economy, such as the production of goods and services (output) and the income generated from that factor of production such as Land, Labour, Capital and Entrepreneurship. The circular flow also illustrates the equality between the income earned from production and the value of goods and services produced with the help of the factor of production. Factor of production flow from households to the factor market and earn money and from the factor market to the firms. Businesses took all the resources to maximize their own profit and income. Firms produce goods and services flow from firms to the households to generate the profit. All the social and economic problems caused due to the ever increasing profit motive of organizations. These flows show the working of normal economy. So its responsibility of the business firm to spent some amount of their profit to compensate the society, environment and well being of human being.

Relationship between Firms and Corporate Social Responsibility



CSR as an essential part of the company's strategy. CSR is the procedure of assessing an organization's impact on society and evaluating their responsibilities. It begins with an assessment of the following aspects of each business:

1. Customers;
2. Suppliers;
3. Environment;
4. Communities; and,
5. Employees.

The effective CSR plans ensure that while organizations comply with legislation, their investments also respect the growth and development of marginalized communities, society and the natural environment. Corporate Social Responsibility shall be sustainable by involving activities that an organization can uphold without negatively affecting their business goals.

Corporate Social Responsibility in Indian business Environment

India is the first country in the world to make corporate social responsibility (CSR) mandatory for organizations working in India territory. CSR for companies has been mandated through legislation through Section 135 of the Act. Section 135 of the act contains CSR provision of the Act, Schedule VII enumerates the activities that can be undertaken under CSR. Earlier, In the draft Companies Bill, 2009, the CSR clause was voluntary, though it was mandatory for companies to disclose their CSR spending to shareholders. It is also mandatory that company boards should have at least one female member. Under C.S.R. activities companies have to compulsorily take part in various activities which are necessary for the welfare of the people of the backward society.

These activities are covered under the Corporate Social Responsibility

1. To eliminate hunger, poverty and malnutrition
2. Promote education
3. Improve maternal and child health
4. Ensuring environmental sustainability
5. Measures for the benefit of the Armed Forces
6. Promote sports activities
7. Protection of National Heritage
8. Contribution to Prime Minister's National Relief fund
9. Developmental activities in slum area
10. Construction of toilets in schools

CSR has been defined under the CSR rules, which includes but is not limited to:

1. Projects related to activities specified in the Schedule; or
2. Projects related to activities taken by the company board as recommended by the CSR Committee, provided those activities cover items listed in the Schedule.

An amendment to The Company Act, 2013 in April 2014 directed the Businesses firms toward Corporate Social Responsibility. The organizations can invest their profits for the devevelopment of the society in the areas of education, poverty, gender equality, and hunger etc.

The amendment notified to the Company Act in the Schedule VII, advocates that those companies with a net worth of Rs 500 crore or more, or an annual turnover of Rs 1000 crore or more, or a net profit of Rs. 5 crore or more during a financial year, are required to discharge the obligations of CSR(MCA:2015) to the society. At least 2 percent of their average net profits of the company made during the three years are to be spent towards Corporate Social Responsibility.

As per this act, Companies have to constitute their respective CSR committees of their Boards to formulate and recommend their CSR Policy, including the activities to be undertaken with allocation of funds. In India different organizations carries out various CSR projects. There are few examples of CSR activities run by the organizations.

Tata Group doing activites on community improvement and poverty alleviation programs, women empowerment activities, income generation, rural community development, and other social welfare programs.

Ultratech Cement involved in social work across 407 villages in the country aiming to create sustainability and self-reliance. Its CSR activities focus on healthcare and family welfare programs, education, infrastructure, environment, social welfare, and sustainable livelihood.

Mahindra & Mahindra with the purpose of promoting education doing CSR activites. The company primarily focuses on education programs to assist economically and socially disadvantaged communities. CSR programs invest in scholarships and grants, livelihood training, healthcare for remote areas, water conservation, and disaster relief programs.

ITC Group has been focusing on creating sustainable livelihood and environment protection programs. The company has been able to generate sustainable livelihood opportunities for six million people through its CSR activities. Their e-Choupal program, which aims to connect rural farmers through the internet for procuring agriculture products, covers 40,000 villages and over four million farmers.

Development sector-wise break up of CSR spend (2014-2015)

S.No.	Subject in Schedule VII	Amt. in crore
1	Education	2728
2	Health & Wash	2246
3	Environment	1213
4	Rural Development	1017
5	Women Empowerment	326
6	PM Relief Fund	192
7	Other	165
8	Sports Promotion	160
9	Art & Culture	123
10	Slum Development	123
11	Administrative Overheads	123
12	Swachh Bharat Kosh	121
12	Any Other Fund	36
14	Clean Ganga Fund	19
15	Contribution to corpus	18

Ministry of Corporate Affairs (2015)

Development sector-wise break up of CSR spend (2015-16)

	Subject in Schedule VII	CSR Expenditure (In Rs. crores)
1	Health/Eradicating Hunger, Poverty & Malnutrition	3117.27
2	Education/ Differently Abled/ Livelihood	3072
3	Gender Equality/ Women Empowerment/ Old Age homes/ Reducing Inequalities	212.85
4	Environment & Animal Welfare	922.84
5	Heritage Art & Culture	89.53
6	Encouraging Sports	94.68
7	PM National Relief Fund	135.71
8	Rural Development	1050.91
9	Slum Development	9.08
10	Swatch Bharat Kosh	355.06
11	Clean Ganga Fund	3.01
12	Any Other Fund	261.87
13	Other Sectors (Technology incubator and benefits to armed forces and admin overheads and others)	496.64
	Total	9822.08

Ministry of Corporate Affairs (2017)

According to the data released the Ministry of Company Affairs, An Assessment of CSR expenditure of 5097 companies for the year 2015-16, indicates that 172 PSUs and 4925 private sector companies together have spend Rs. 9822 crores during 2015.16. In the year 2015-16, Rs.9822 crore was spent on CSR activities, which is 11.5% more than the previous year. In the year 2015-16; there are 5097 companies covered under the CSR activities out of which only 2690 had spent on CSR activities.

Conclusion

The growing popularity and acceptance of CSR growing pressure on organizations of business puts the social, economic and political on firms to act in socially responsible way. Corporate social responsibility is one of the most important issues that business is facing today. Those who follow the way in which companies engage in social problems, they have noted that social responsibility has a strategic importance (lonela et. All, 2011). There are many Companies which have been implementing CSR for the benefit of society and also for the benefit of their organization. In this competitive world, where economic growth and development are the major contributors of the business success, organizations are also challenged to ensure their environmental and social impacts are leading to a sustainable future for the planet. Businesses have the responsibility of promoting sustainable development and enhancing

the societies in which they operate (Yvonne & Wendy, 2015).

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