



Corporate Social Responsibility (A Literature Review)

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Abstract

This world is having number of problems existing in the triple bottom line i.e. in environment & society. We can consider corporate social responsibility (CSR) as a device to sort out these problems up to some extent because business is running in the society, by exploiting the different resources. In the trusteeship Mahatma Gandhi has also defined business is the part of society so it must fulfill the social responsibilities. Social Responsibility is an obligation to the planet & people living inside and outside the business organizations. Any business is having number of contacts in the society such as owners, employees, customers, government, suppliers, environment etc. The obligations of business, includes satisfaction to these parties with it's' owner, is called corporate social responsibility of business. In present scenario, the society as well as media is increasingly requesting the companies to consider social and environmental problems while operating their business activities. Now CSR has become one of the major issue of new millennium across the world and the corporate as well as government must take care of it. The Government has taken an initiative by incorporating the CSR law in the New Company Act – 2013 which is saying it is mandatory for the companies to allocate 2% of their net profit in CSR activities. This initiative is an important step for controlling those business activities which makes a harmful effect on the society. CSR typically includes issues like business ethics, community engagement, global warming, water management, human dignity & rights etc. Hence in order to sustainability and to survive in this mechanistic world, the organizations need to demonstrate a strong relationship with the society.

Keywords: CSR, Triple Bottom Line, Globalization, Trusteeship, New Company Act -2013

1. Literature Review & its Relevance

A researcher starts his research by reading & exploring the problem of his research for which it is important for him to be aware & familiar with both previous theories and researches published in the previous investigation & studies. So, in order to assure its familiarity, they have to maintain the accumulated and recorded previous information. Every research requires the review of related

literature for identifying the smooth contours for finding the correct direction of conducting the research.

The term literature review is combining the two words: Review and Literature. Research, review means synthesis of the available knowledge of specific area & literature refers to the knowledge & information about the concepts, definition, and theories used in the concerned field of investigation. The review of literature helps a researcher to know the facts & evidences available to solve the research problem.

Review of literature is also helps in framing hypothesis, data sources & appropriate statistical techniques to solve the problem further, the review provides to analyze the gaps, defining the objectives, formulating hypothesis, analysis & interpretations. In context of researcher the depth and breadth of the review emphasizes the credibility of the author (s) in the concerned field & for the professionals these are useful reports to keep them up date with their field.

In a nutshell, with the help of literature review, researcher can identify, appropriate methodology, suitable research design, methods of measuring the variables, techniques of analysis and performing various field observations to illuminate the darkness in the area of his research.

1.2. Historical Background of CSR: An Introduction

Social Responsibility is inherent feature of Indian Culture- The concept of “Good Governance and Responsibility of Business” in present era termed as Corporate Social Responsibility is not new for one of the most ancient Indian Culture. According to Vedic Darshan:

1.3 Sarva Loka Hitam i.e. well being of whole nature

It has achieved importance again in the present time, which is full of unexpected difficulties & new hope, reflected by the effect of Globalization. In addition to above Kautilya’s philosophy said that for good governance, all administrators, including the king were considered servants of the people (Kautilya’s Arthashastra). According to his philosophy the king has no individuality of his own. He is for the people and of the people.

Inherent in the Indian Culture the next roots of corporate social responsibility can be traced back to 1917, when Henry Ford announced that the aim of Ford Motor Company is that “To do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it, and incidentally to make money” (Lee 2008, p. 54).

CSR initiatives are very important in the context of business ethics (Maignan and Ferrell 2004). During the last 57 years, several findings have caught the attention of CSR practitioners and scholars. These include studies which suggested that CSR activities provide an “insurance-like” protection when negative events happen (Godfrey et al. 2009); that CSR activities not only influence sales growth, but also influence the employment and investment domains (Sen et al. 2006); and that firms

with higher CSR ratings may have a sustainable competitive advantage rooted in human capital as they attract more and better employees than firms with lower CSR ratings (Carmeli 2005; Hunt et al. 1989; Turban and Greening 1997). Consequently, in order to pursue sustainable development, & achieve a good reputation in this competitive market, companies are publishing their CSR disclosures and CSR reports.

1.4 Conceptualization of Corporate Social Responsibility

Since the 1950s, CSR and its related terms, like corporate social responsiveness, corporate social responses, corporate social performance, corporate citizenship, & corporate philanthropy have been conceptualized and mainly originated from different disciplines of management (e.g., Carroll 1979; Matten and Crane 2005; Wood 1991). Previously different scholars has explored the theme of CSR and related notions derived from various perspectives, such as social obligation, marketing, stakeholder-relation, integrated strategy, and leadership themes. This section reviews the main CSR conceptual views driven by those related management dimensions.

1.5 Social Obligation Driven

The social obligation view of CSR should be the foundation of future research. Following Bowen's (1953) book, Carroll (1979) identifies the CSR pyramid, which includes four stages of CSR development: economic, legal, ethical, and philanthropic obligations. Further, Carroll (1979) argues that "these four categories are neither mutually exclusive, nor are they intended to portray a continuum with economic concerns on one end and social concerns on the other" (p. 499). In particular, economic responsibility represents that companies are supposed to provide goods and services that the society needs and sell them at a profit. (Carroll 1979, p. 500) has told:

- Legal responsibility means that companies should obey societal laws and regulations.
- Ethical responsibility can be described as societal expectations of business over and above legal requirement.
- Philanthropic responsibility indicates, these roles are purely voluntary, and the decision to assume them is guided only by a business's desire to engage in social roles not mandated, not required by law, and not even generally expected of businesses in an ethical sense.

Hence, this CSR pyramid embodies the four levels of social responsibilities that society expects companies to do.

1.6 Stakeholder-Relation Driven

Theory of Stakeholder is also providing a new platform for the development of CSR theme. According to Maignan and Ferrell (2004), there are two main motivations of organizational CSR activities concerning stakeholder-relations:

1. **The Instrumental Approach:** As companies rely on stakeholders for their continuous support or providing resources (Barney 1991), managers have to consider the claims and needs from stakeholders.
2. **The Moral Perspective Approach:** Donaldson and Preston (1995) argue that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and there is no prima facie priority of one set of interests or benefits over another” (p. 68).

1.7 Integrated Strategy Driven

Many scholars examine the CSR issues from the integrated strategy aspect (e.g., Baron 1995). For instance, Maignan and Ferrell (2004) point that “organizations act in a socially responsible manner when they align their behaviors with the norms and demands embraced by their main stakeholders” (p. 6) and they illustrate a framework to analyze the antecedents and outcomes of organizational CSR behavior from the perspective of major stakeholder . Some scholars have given the new dimension to integrated corporate activities in political context and argue that “practioners need to pay more attention to the ethical aspects of their subject & if they will fail then it will weaken the community conceptually and thereby undermine its credibility and legitimacy” (Lawton 2011, p. 8).

1.8 Leadership Driven

The different current leadership styles like transformational, charismatic, authentic, ethical, participative, servant, shared, and spiritual leadership has directed some scholars to incorporate CSR into leadership theory (Bass and Steidlmeier1999; Waldman and Galvin 2008). Maak and Pless’s (2006) study is one of the first Endeavour in this area. They name the leadership approach based on the ideals of CSR as “responsible leadership” and define it as “the art and ability involved in building, cultivating and sustaining trustful relationships to different stakeholders, to achieve a meaningful, commonly shared business vision”(p. 334).

In the nutshell, the exploration of CSR starts with some scholars and practitioners who notice that the aims of companies are not only to make profit, but also to consider social obligations and benefits to society. The evolution of the theme CSR has promoted leadership theory development and has produced a new concept of responsible leadership. The investigation of this CSR-related leadership is at the very initial stage and there are many gaps to be filled, such as the structure and measurement of this leadership style.

2. Objective of Literature Review

The present literature review has done by considering some factors as its objectives which are as follows:

- To fill the gap in the previous reviews of corporate social responsibility.

- To identify the major milestones in the development of corporate social responsibility & developing an understanding for evolution of CSR theory.
- To encourage the studies & practices of corporate social responsibility at organizational level.

3. Methodology of Literature Review

1. Content Analysis:

This literature review is the result of content analysis along with the other qualitative methodologies, such as interpretation of the present literature. Content analysis is a scientific and systematic method for observing and analyzing information (Budd et al. 1967). It seems to be suited to the formulation of a literature review because it is highly flexible (Cascio and Aguinis 2008), to summarize the multidimensional study of Corporate Social Responsibility.

2. Selection of Journal and Article :

This literature review is prepared by following the Laplume et al.'s (2008) paper selection approach, by using the Harzing's (2011) journal quality list to select journal papers by observing its impact factors.

3.1 Literature Review:

This era of increased knowledge & information moves us towards the rapid changes it is growing more and more with the passage of time. Therefore, a researcher has to be more conscious about the changes & developments in the area of his study. In this context, the researcher has to go through the available literature like books, novels, reports, previous researches, articles, newspapers and journals for improving the knowledge & understanding. Over the past decades, the concept of corporate social responsibility has become a major area of research. So, the responsibility of the researcher has to make an effort by reviewing the papers of previous researchers, analysts and industrialists who are related with the social responsibility, social accounting, social reporting or any other area related to the corporate social responsibility.

In the future of industrial man, Drucker in 1946 has told survival of any enterprise is outcome of the harmony between the company's objectives, objectives of the state system and the people. Any conflict between the objectives of these three interactive players would stick the business firm in the middle of the road. Therefore, corporations are responsible for worker's human dignity and status, and worker's training and development as corporation's resource and not cost.

In concept of the corporation, p.18 Bowen & Howard in 1953 has told businesses are obliged to make and pursue those policies decisions which are desirable to social values of the community under CSR.



Davis & Kieth in 1960 concluded CSR as, “Execution of the businesses policies shall not be restricted to the firm's corporate interests only rather it should also cater for the socio- legal aspects as well.

Davis in 1973 concluded corporate social responsibility is the firm's response to, issues beyond the narrow economic, Technical, and legal requirements of the firm.

Archie Carroll, 1979 defined the social responsibility is set of economic, legal, ethical and discretionary expectations of society towards the business organizations operating within its premises.

By seeing the history & past trend of CSR, Carroll’s model analysis in global context, indicate the three emerging alternatives of corporate social responsibility: conception of responsibility, global corporate citizenship, stakeholder management practices.

Bradshaw, 1981 defined the overriding role of corporate management is to meet people’s needs with professional skills, continue to respond to the market place, produce quality goods at the lowest possible cost by efficient and sustainable use of resources.

Kilcullen & Kolstra, 1999 has told corporate social responsibility indicates degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state.

Hick, 2000 conceptualizes, corporate social responsibility revolves around the relationship between the business and the society it indicates the responsibilities and determines the business behavior towards its stakeholders

Kok et al, 2001 has told the business is ethically and morally obliged to benefit its society. To achieve this, the business besides capitalizing on its economic goals, it shall commit its resources for the well being of the society and its people.

Nigel Sarbutts (2003), the paper explored the pattern of performing CSR by small and medium sized companies his research depicted that a structured approach to managing corporate reputation and profit maximization of SME’s through CSR. The societal activities of small and medium sized companies are based on their cost & Benefit Analysis. Small Corporation struggle for more reputation and minimization of risk, for them CSR comes as a ray of hope. Large companies have so many resources for implementing CSR activities but theses have fewer resources. It can be a barrier for them to stay in the market. So, in that situation by imparting much information, proper utilization of resources, doing well for businesses, SME’s & small units can minimize their risk and manage CSR.

Mr. Fredrick Ma, secretary of financial services 2004, in his speech he explored the concept of CSR on the basis of survey of 1500 business leader attending the world economic forum in bevos. In which 5% leaders said that CSR is important for the success of business, while 24% said CSR is not important but the shareholder’s interest is most important for the businesses, but for him, CSR and corporate governance are complementary to each other.



Moon (2004), paper examined the role of government in driving corporate social responsibility among the corporate. The study explained that the drivers of CSR are related with business and society, his study cleared that government is driver of CSR by making true & clear relationship, properly formulating policies and regulations. The study also highlighted the other country's situation & how their government entered into businesses for driving CSR.

David Vogel, 2005 examined corporate social responsibility is a very important dimension of corporate strategy and not a precondition for business success. The businesses must find a viable course of action between what is socially and ethically rights and what are economically profitable”.

Samuel O. Idowu (2007), with their study of twenty companies in U.K., propounded that the U.K. companies have now become ethical in context of social responsibility. Here companies disclose it's CSR with a view of public benefits, government request and issue information to every stakeholder by considering people in twenty first century are better educated than past.

Vaaland, Heide (2008), paper based on a case study is the best example to handle the CSR critical incidents and utilize its experience in enforcing the CSR policies. The study concluded that CSR should be managed by handling unexpected incidents, by reducing the gap between stakeholders and their expectations and company performance and finally maintaining relationship with society through interplay between actor, resources and activities.

In his research work Mikael Holmqvist in 2009 he argued that over the last few decades corporations are paying special attention towards their social responsibility of workers health and their well beings. The strategy has two fold advantages including; ensuring better health and wellbeing for employees at work place and, sustaining responsible organizations in the socio- competitive environment. He viewed corporate social responsibility as corporate social control.

Shah, Bhaskar (2010), in his case study of public sector undertaking, Bharat Petroleum Corporation Ltd. has discussed that there is a broad relationship between the organization and society. Organization has its existence only with the society. Organization used the resources of the society. In reverse, the organization provides services to the society. This case study of BPCL, has explored that the company has taken a lot of initiatives in order to serve the society.

Hartman (2011), article “Corporate social Responsibility in the food sector” in European review of Agriculture Economics journal, analyzed the importance of CSR in food sector, particularly those companies which have high brand image CSR is an important part of these companies but SME's are less capable in discharging their obligation towards society. Further, the research found that food sector always tries to improve the controlling and discharging its services towards consumers &



society. Consumers also prefer those brands which give preference to CSR activities and provide good product and services.

Mallen (2012), depicted that how the trends of CSR have changed from last so many years. This change has affected both the society and business & explained three basic things about the changes in the trend:

- The relationship between business and society has changed due to social and environmental problem around the world & these conditions, business and society came closer.
- The businessman's strategy of developing business also affected society a lot, new ideas of business developments also came with CSR management that reflects in their product and services.
- Other parties like outside agencies and firm's own goals also interfere with the Firm's activity.

The economic Times (2012), news highlighted the views of former president Dr. APJ Abdul Kalam in a CSR award function organized by industry body Assocham. Kalam said that companies should devote some part of its goal to corporate services. It should make mandatory for all the companies to spend a percentage of its profit on corporate social responsibility. Kalam also discussed about the proposed bill on corporate spending on CSR. They assumed greater importance of CSR in building the lives of the country's citizens.

An article published in The Economic Times named as "CSR: A cloak for crooks" on 21 Oct. 2012 explored that there are so many companies which have engaged in Corporate Social Responsibility yet they are suffering from financial crisis, fraud and other unsocial causes. In this article, an example has been taken about the company Satyam Computer Services. The company has won several awards in the area of CSR which includes rural communities' commitment and services like healthcare, education and water.

Bibhu Parshed (2012), article presented that CSR is the face of industry face of doing trade. Bibhu said that today, corporate houses took CSR as a medium for fulfillment of profit greed, further the article explored that today companies are investing in different areas like child labor, ground water, food, education, employment etc. but nobody is aware about the essential need of world's poor. The article suggested that profit earning is a natural fact of companies but CSR is beyond the natural and statutory obligation of the companies.

4. Current Scenario of CSR in India

Corporate Social Responsibility by companies has been introduced in Section 135 of Companies Act, 2013. This section needs to read along with Companies (Corporate Social Responsibility Policy) Rules, 2014 and Schedule VII of the Act. Section 135 provides that-



(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

(2) The Boards report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall:

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
- Recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and (c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) should,

a) Take into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; &

b) Ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two percent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy: provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. If the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount with proper explanation.

Every company either private company or public company, beyond the thresholds specified below is required to constitute CSR Committee:

- Net worth of Rs.500 crore or more; or
- Turnover of Rs.1000 crore or more; or
- Net profit of Rs. 5 crore or more during any financial year.

The Board of every company referred above shall ensure that the company spends, in every financial year, at least two per cent of the net profits of the company made during the three immediately



preceding financial years in pursuance of its CSR policy. Schedule VII of Companies Act, 2013 describes activities to be undertaken as CSR:

- Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation & making available safe drinking water;
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- Contribution to the Prime Ministers National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- Promoting rural development projects.

5. Conclusion

Corporate Social Responsibility (CSR) is a concept whereby companies besides their profitability & growth also consider the interest of society and environment, by taking responsibility for the impact of their activities on stakeholders, environment and all others members of the public sphere. Analysis is saying CSR is not same as philanthropy & Charity because CSR is not a selfless act of giving and companies derive long term benefits from the CSR initiatives & Triple Bottom Line approach represents the relation among corporate, society and environment and how it works towards corporate sustainability .Globalization, Governments, Inter-Governments bodies



(e.g. U.N., OECD, ILO) Advancement of communication technology, awareness among stakeholders are some of the various factors which affect the CSR policy of companies.

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