

Corporate Social Responsibility

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ABSTRACT: In the past era Corporate Social Responsibility (CSR) has enlarged significant interest between academicians and business organizations. In current times, corporate social responsibility has become an unavoidable priority for business leaders over the globe. Indian corporate groups admit the practice of CSR under different names like corporate sustainability, social concern and corporate citizenship. Corporate Social Responsibility is concern with considering the internal and external stakeholders of the firm ethically or in a generally responsible manner and to create higher standards of living, while maintaining the profitability of the corporation for its stakeholders is the general aim of corporate social responsibility. In development terms corporate social responsibility (CSR) refers to strategies corporations or firms conduct their business in that way which is ethical, society responsive and favorable to community. In this paper we examine the meaning of CSR based on some theories (in literature). It is reason that these three theories: utilitarian, managerial and relational theories of CSR could be used to recommend that CSR becomes an international anxiety due to globalized nature of business. Corporate social Responsibility is evolving in its meaning and practice and then discusses the role of CSR in community development.

Keywords: Corporate social responsibility (CSR), community development, PSU's, CPSEs, SMEs, OECD, PAT, CFP, CSP, SAAR, MNCS, SRM.

REVIEW OF LITERATURE

The matter of corporate social responsibility (CSR) has been discussed since 1950s. In 2007, Secchi and in 2008, Lee described that the definition of CSR has been altering in meaning and practice (Modern view). The classical view of CSR was narrowly limited to humanity and then shifted to the stress on business-society relations particularly denoting to the contribution that a corporation or firm provided for solving community problems. In the early 20th century, social act was tied up with market performance. According to the innovator of this view, Oliver Sheldon (1923), Bichat, (2003), though, encouraged management to take the initiative in raising both moral standards and fairness in society through the ethic of economizing. By this act business creates wealth in society and provides better standards of living. According to World Business Council for Sustainable Development, (in 2001) CSR is defined as the promise of business to contribute to sustainable economic development, employed with workers, their relatives, and the native humanities.

DATA COLLECTION

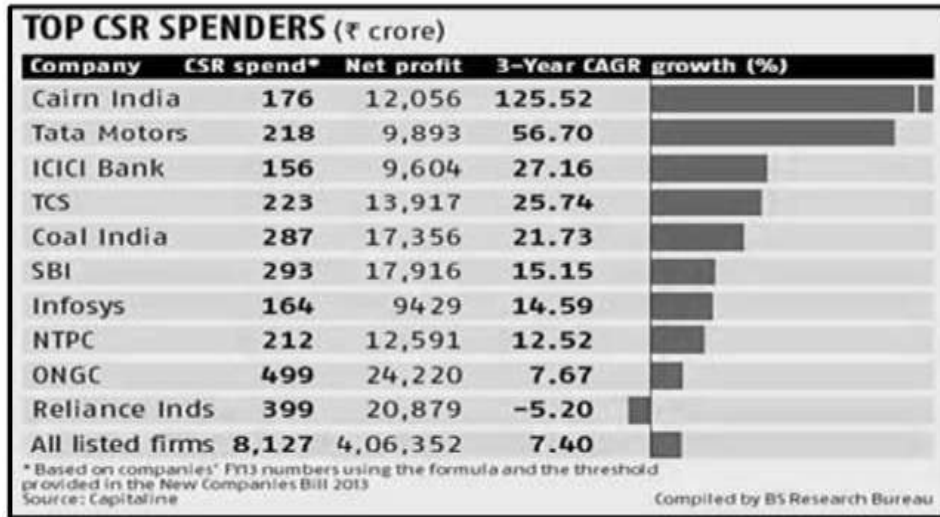
To examine the scenery of CSR activities in India, we collected data about the CSR policies and practices of top public listed companies in India ("A" category by the Bombay Stock Exchange (BSE) of India).. Given that CSR works suggests that organizations increasingly use CSR activities to position their corporate brand in the eyes of the consumers and other stakeholders through their annual reports, we collected data using these public sources (including KPMG survey conducted in India)

INTRODUCTION

Every business starts with the aim of profit making but it cannot stand in future keeping this aim in deliberation. When surroundings start failing a business cannot grow. A sound Corporate Governance policy makes sustainability of business. In lack of this it will be bound for dissolution. Business desires to discourse shareholders as well as stakeholders which comprise merchants, consumers, creditors, the financiers, the employee, and a society. As per the report of the SEBI on Corporate Governance under the Chairmanship of Sh. K. M. Birla that the important objectives of Corporate Governance are the improvement of shareholder worth, keeping in view the attention of other stakeholders. As per the guidelines of corporate governance broad by organization for Economic Co-operation & Development (OECD) that for the privileges of stakeholders recognized by law or through joint agreements and inspire active co-operation between corporations and stakeholders in generating wealth, jobs and the sustainability of economically sound initiative the corporate governance framework should recognize. Stakeholder matters are discourse by Corporate Social Responsibility. The concept of CSR

can't be overlooked by the corporate firms in globalized world. India's 10 most profitable co. will together spend Rs 2,625 crore on activities (i.e. promotion of research, social welfare, religion, charity, commerce, art, science, sports, education, and defense of the environment). The altering market situation business firms have to change their work culture as per the market demand & the spending determinations have been in the immediate locality of their businesses. Corporate fundamental is to assess and take responsibility for the company's effects on the environment and impact on social welfare. CSR is normally applies to company efforts that drive beyond what may be essential by regulators or environmental protection clusters. Corporate citizenship also known as corporate social responsibility and short-term costs can involve incurring that do not provide an instant financial advantage to the company, but in its place further positive social and environmental change.

TOP PSU's SPENDING ON CSR:



MAHARATNA CPSES:

Sr.no	Name of the CPSE	year	Total funds allocated for CSR(Rs in crore)	Funds utilized for CSR(Rs in crore)
1.	Coal india limited	2010-2011	262.28	152.33
		2011-2012	553.33	77.33
2.	Indian oil corporation limited	2010-2011	131.11	128.41
		2011-2012	953.60	82.73
3.	National thermal power corporation Limited	2010-2011	72.37	72.21
		2011-2012	45.52	49.43
4.	Oil and natural Gas corporation limited	2010-2011	335.352	219.03
		2011-2012	378.48	121.08
5.	Steel Authority of India limited	2010-2011	94.00	68.95
		2011-2012	64.00	61.25

The financial budgetary spend on CSR and Sustainability will be based on the profitability of the company and shall be determined by the Profit After Tax (PAT) on the company in the previous year.

PAT of CPSES in Previous year	Range of the Budgetary allocation for CSR and sustainability activities (as % of PAT in previous year)
1. Less than 100 crore	3%-5%
2. 100 crore to 500 crore	
3. 500 crore and above	2%-3%
	1%-2%

CSR AND SMALL AND MEDIUM ENTERPRISES (SMES)

SMEs play a significant role in Indian economy. It helps create occupation in the country and large companies. According to Goyal, Malini (2013) ,”SMEs employment nearby to 40% of India’s workforce and contributing 45% of India’s manufacturing output”. SMEs goals on short period activities (include minor working costs).

According to survey conducted by UNIDO (2008) in five Small and Medium Enterprise groups in India, 31% to79% of the SMEs in these groups, who favored charity ,donations rather than long-term programmers for local societies. Lack of economic resources, no provision from the side of government, such as incentives and schemes, no important influence on the image of the company and lack of awareness in the society is the reason. In greater sense, they also can join in CSR activity. This activity can be done by the SMEs in group so that concerning process of CSR activity they need not worry. In India KPMG conducted a survey on CSR reporting. Following is the list of survey:-

Firm	Quality in Percentages
Pharmaceuticals	20
Oil and Gas	35
Utilities	34
Metals, engineering & other manufacturing	36
Communications & media	39
Automotive	41
Food and beverage	43
Construction & building materials	47
Chemicals and synthetics	57
IT	64

IT Companies have the best quality reports in India while Pharmaceuticals sector has lowermost.

CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The report of cadbury committee expresses us that corporate governance is the structure by which companies are directed and controlled. The current position of business world needs from companies to adopt full set of corporate governance and sustainability. The main objective of a company to generate value for its shareholders before, physical assets and financial reports. Tangible assets are inferior than intangible assets, concentrating switches to non-financial reports and information. Altaji, Issam (2013),” These changes come through applying corporate governance and sustainability principles in a certain company.”



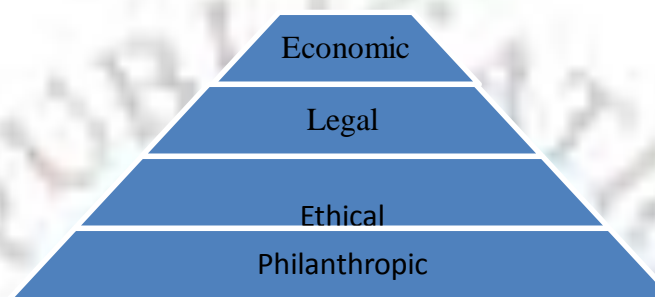
PRINCIPLES OF CSR:

It is difficult to explain CSR and to be certain about any such activity because of the uncertainty surrounding the nature of CSR activity. It is consequently avoided to be able recognize such activity and there are three basic principle which organized consist all CSR activity.

- Sustainability
- Accountability
- Transparency

THREE BASIC MODELS OF CSR: RELATIONSHIPS BETWEEN DOMAINS OF RESPONSIBILITY:

1. PYRAMIND:



CSR PYRAMID:

- Hierarchy of separate responsibilities
- Nature of CSR is Normative restraints of responsiveness
- Scope of responsibility is narrow
- Hierarchy order; Economic responsibility is come first
- It play a role like Icing on the cake
- CSR-CFP relationship is positive
- Research Implications operationalization is constant sum method
- Managerial Implications Justification for CSR is Ethics pays

2. INTERSECTING CIRCLES:

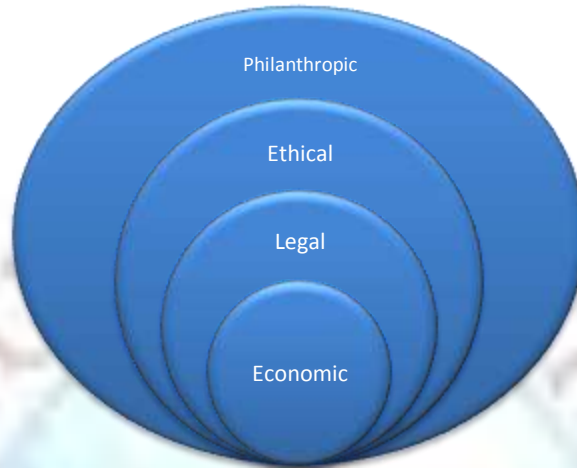


INTERSECTING CIRCLES:

- Nonhierarchical set of interconnecting responsibilities
- Classification framework; no normative guidance

- Its scope of responsibility is divided
- It's have no prima facie instruction
- It play a role like included under economic/ethical responsibilities
- Research Implications Operationalization is CSR representations
- CSR-CFP relationship is Positive, Negative, or Neutral
- Managerial Implications Justification for CSR by Strategic considerations

3. CONCENTRIC CIRCLES:



CONCENTRIC CIRCLES:

- Integration of all responsibilities; all sharing a central core
- Incurred obligation to work for social betterment
- Inclusion system; economic circle at the core
- It is an integral part of CSR
- Research Implications Operationalization Representative range of measures
- CSR-CFP relationship is nonlinear
- Managerial Implications Justification for CSR is Normative obligation

THEORIES OF CORPORATE SOCIAL RESPONSIBILITY (CSR):

There are different types of theories and approaches of CSR. The theories are as follows:

- 1) The utilitarian theory
- 2) The managerial theory
- 3) The relational theory (Table 1).

Table 1: Utilitarian, managerial and relational theories of CSR.

Utilitarian Theory	Managerial Theory	Relational Theory
*Theories on social costs and Functionalism	*Corporate social performance *Social accountability, auditing and reporting(SAAR) *Social responsibility for multinationals	*Business and society *stakeholder approach *Corporate global citizenship *Social contract theory

UTILITARIAN THEORIES:

The corporation serves as a part of the economic system (in which function is mechanical for profit maximization) is come into the utilitarian theories. CSR come when we realized the need for an economic responsibility, surrounded in the business morals of a corporation. These theories are linked to the strategies for competitive advantages.

Porter and Cramer (In 2002) suggest that the theories are foundations for formulating strategies in dynamic usage of natural resources of the company for competitive advantages.

In 2007, Secchi divides the utilitarian group of theories into two parts first one is the social cost of the corporation which says that CSR in social economic system in the community is to be influenced by the corporate non-economic issues and Garriga and Mele called it instrumental theory and the second one is the ideas of functionalism it says that the corporate goals are profit creation which is the part of economic system. From the internal point of view CSR are used as an approach of the industrial system against the external attacks where they need a balance between profit making and social objectives for the economic systems' equilibrium.

MANAGERIAL THEORY:

"Managerial theories are linked to political theories which is based on the conceptualization" According to Garriga and Mele (2004). Wood and Lodgson (2002) as well as Detomasi (2008) supported him.

Managerial theories are derived under the entities of public accountability and corporate social performance the integrative theories of Garriga and Mele (2004). (In Table 2)

According to Secchi (2007) CSR are advanced by the corporation internally some pressures the logic of managerial theory which emphasizes corporate management so there is the difference between utilitarian and managerial perspective of CSR. This refers that everything external to the corporation is measured for managerial decision making. Managerial theories are:

1. Corporate Social Performance(CSP)
2. Social Accountability and Auditing Report(SAAR)
3. Social Responsibility for Multinationals(SRM)

CSP aims to calculate the involvement in the social variable makes to economic performance. There is a problem to manage the firm considering the both social and economic factors. It is the assumption that firm depends on civilization for its sustainability and development. Corporation CSP is additionally sub-divided in five scopes in a corporate chain.

1. CSR is compatible with mission of the core goals
2. the advantages CSR brings to the corporation specificity gauges
3. it measures the degree of reaction to external demands
4. implementing CSR voluntarism that accounts for the discretion the firm
5. Community of stakeholders is perceived visibility refers to the way the responsible behavior

Secchi (2005), SAAR is strictly linked to social performance assistances over accounting, auditing and reporting systems. When a firm accounts for its action it called SAAR. While responsible to the relevant community on firms are controlled and regulated in their actions to performing their fundamental business.

As a result of universal competitions and challenges CSR for multinationals (MNCs) come into existence. This aspect of managerial theory is a convenient tool about the CSR for the MNCs to survive in foreign countries. MNC works as a moral agent the moral value of manager when he take a decision related to profit maximization.

RELATIONAL THEORY:

Relational theory has an offer a base for the composite firm environment relationships. It implies, interrelations between the two. Relational theory is separated into four sub-groups of theories:

1. Business and society;
 2. Stakeholder approach;
 3. Corporate citizenship; and
 4. Social agreement.
- CSR arises as a matter of interface between the two entities: Business and society which mean 'business in society'. The expansion of economic values in a society measures CSR.
 - Improving the management of the firm Stakeholder approach has been one of the strategies. It is a way to know about the truth in order to manage the informally responsible behavior of a firm. The stakeholder approach also considers a firm as an organized web of different interests where self-creation and community creation occur interdependently.

- In relational theory corporate citizenship strongly depends on the type of community. Corporate citizenship is the way where corporation behave responsibly. Corporation develops with its stakeholders, and continuously search for engagement and commitment.
- The essential issue of justifying the ethics of economic activities in order to have a theoretical base for examining social relations between corporation and society is named social contract theory of the relational group.

On the other way, According to Garriga & Mele’s (2004) analysis maps CSR into four types of territories. They are:

- 1) Instrumental theories,
- 2) Political theories,
- 3) Integrative theories,
- 4) Ethical theories.

Table 2 defines the theories and the relevant approaches. There is no doubt that some similarities’ do exist in both conceptualizations of CSR and the discussion will be based on emphases and approaches.

Table 2: Corporate social responsibilities theories and related approaches

Types of theory	Approaches	Short description
Instrumental theories(Focusing on achieving economic objectives through social activities)	*Maximization of shareholder value *Strategies for competitive advantage *Cause-related marketing	*Long term value of maximization *Social investment in a competitive context *Firm’s value on natural resources and its dynamic capabilities Altruistic activities socially recognized as marketing tool
Political theories(focusing on a responsible use of business power in the political area)	*Corporate constitutionalism *Integrative social contract *Corporate citizenship	*Social responsibilities of businesses arise from the social power the firms have *Assumes that a social contract between business and society exists *The firm is understood as being like a citizen with certain involvement in the community
Integrative theories	*Management issues *Public responsibility *Stakeholder management corporate social performance	Corporate response to social and political issues law and the existing public policy process are taken as a reference for social performance balances the interests of firm’s stakeholders searches for social legitimacy and processes to give appropriate response to social issues
Ethical theories (focusing on the right thing to achieve a good society)	*stakeholder normative theory *universal rights *sustainable development *the common good	Considers fiduciary duties towards stakeholders of the firm. This requires some moral theories based on human rights, labour rights and respect for environment aimed at achieving human development considering present and future generations oriented towards the common good of society.

CONCLUSION

It is concluded that CSR is about business, government and civil society teamwork with the Bottom line is the attainment of win-win situation among the three entities. From the social point of view, CSR must assistance community because the latter has a very complex structure as it consists of individuals with various stages of control of resources physically and

untraceably. The study on the theories countenances the understanding of CSR that goes outside its traditional meanings; therefore, CSR requires a multidisciplinary tactic in its viewpoint and practice. Since the current meaning of CSR is composite, knowing the theories allows scholars to have a better understanding about corporation-society relations, in which theories and practices of CSR are influenced by many economic and non-economic as well as internal and external forces. CSR is fetching an important principle of top management and entrepreneurs. The number of remarks in this field clearly defined models, leadership competencies, accountability, and arrangement of partnerships as well as organizational challenges and limitations and ethics. Organizations can repeat their pattern of behaviors in the TBL framework.

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