



## A CROSS - SECTIONAL STUDY OF CORPORATE SOCIAL RESPONSIBILITY WITH REFERENCES TO GLOBAL CONTEXT AND INDIAN CONTEXT

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### **Abstract**

Corporate social responsibility includes areas such as people, planet and profit. This is also known as triple bottom line. The main objectives of this paper are to study the concept of CSR in global context and Indian context. On the basis of corporate social responsibility, we find the least common focus area of developed and developing countries at CSR. The study has based on the 54 sources and all the sources analyzed to fulfill the objectives and 40 sources used for identify the focus area of CSR of developed and developing countries. As per the companies act 2013, it is compulsion for all the business organization to spend 2% of the average profit of last three years for the development for society or corporate social responsibility context. Data collected from the secondary sources such as internet, journals and website.

**Key Words:** *Corporate Social Responsibility, Employees Commitment and Public Relation.*

### **Introduction**

Corporate Social Responsibility is the part of a business organization function which helps the business organization in its social development, economic development, environmental development, legal development, ethical development and sustainable development. A business organization receives resources (for example, men, material, machine and the natural resources) from the society therefore it is the responsibility of the organization to give something to the society in return. This will helps to save environment and the resources which encourage the social development. CSR is an organization's responsibility to involve in activities that protect and contribute to the welfare of the society, which include general communities, customers, shareholders, environment, and employees. These parties expect more from business than their normal products and services.

### **Recent Trends of the Corporate Social Responsibility**

The concept of Corporate Social Responsibility was become popular in 1960. The term was used to fulfill the legal and social responsibilities by the business organizations. Following is the detailed history of Corporate Social Responsibility in different periods of time:

- **Eighteenth Century:** A famous economist, Adam Smith developed a classical economic model of business. According to this model, the business organizations can fulfill the needs and requirements of the community by making coordination between the business organization and the people.
- **Nineteenth Century:** Due to the Industrial Revolution, there were many essential changes mainly in Europe and United States. According to the model of Adam Smith, there were favorable changes in the economy. For example, increase in goods and services and standard of living with the help of new technology
- **The late of Nineteenth Century:** After the development from Industrial Revolution, people believed that the business and social policies should include the principles of natural selection and survival of the fittest. This philosophy is not helpful because it has bad impact on the employees about the business organization.
- **The Beginning of the Twentieth Century:** The large business organizations started to earn high economic value. They were becoming too powerful and they have also started to do anti- social activities to gain more benefits. Many laws and regulations were enacted in order to protect the rights of the employees, customers and the society. For example, Sherman Antitrust Act was a common from them.
- **In the 1900 and 1960:** In this time period, the business organizations have started to adopt various social responsibilities other than the practice of making profits and following the laws.
- **In the 1960 and 1970:** The expectations of the society from the business organizations were increasing due to consumerism and increasing environmental issues. The business organizations having great power have more responsibilities. But many of them cause to social problems and then do the practices to solve them. There also were several laws which were imposed on the business organizations related to equal employment opportunities, product safety, worker safety and environment.



- **In 1970 onwards:** The concept of Corporate Social Responsibility is growing concept in the world which have the following main concerns:
  1. Current social issues,
  2. Environmental issues,
  3. Technological Issues,
  4. Global issues,
  5. Sustainable Development.

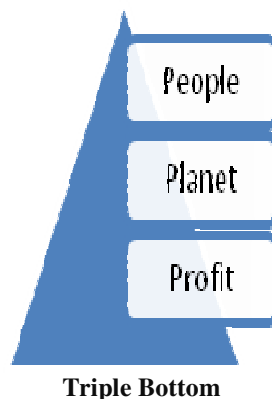
### Evolution of the Corporate Social Responsibility in India

The growth of Corporate Social Responsibility in India can be divided in to four phases which are according to the India's historical development. These four phases of the Corporate Social Responsibility are as the following:

- **In the First Phase**, the main areas of Corporate Social Responsibility was Charity and the Corporate Philanthropy.
- **In the Second Phase**, at the time of independence movement, the focus was given on Indian Industrialists to show their contributions towards the society. According to the concept of "Trusteeship" which was introduced by **Mahatma Gandhi**, the business organizations should manage their operations or money in that way in which they benefit to the common man.
- **In the Third Phase (1960- 1980)**, the concept of Corporate Social Responsibility includes the element of mixed economy, appearance of public sector units (PSUs) and laws related to labor and rules and regulations about environment protection.
- **In the Fourth Phase (1980- until present)**, the Indian business organizations have started given up the traditional concept of Corporate Social Responsibility and they have started to included the CSR in their sustainable business strategy.

The basic area of the Corporate Social Responsibility includes 'People', 'Planet' and 'Profit'. This is also known as the 'Triple bottom line' of the Corporate Social Responsibility. This triple bottom line helps in evaluating the corporate social responsibility of a business organization. 'People' refers to the fair labor practices, good behavior towards the employees, the society or the area where a business organization performs its business activities. 'Planet' includes the environmental practices which encourage the sustainability in the surrounding area. It includes all the CSR activities which protect the environment from global warming. 'Profit' includes the economic value created by the business organizations after deducting the cost of all inputs, cost of capital and the other cost of production.

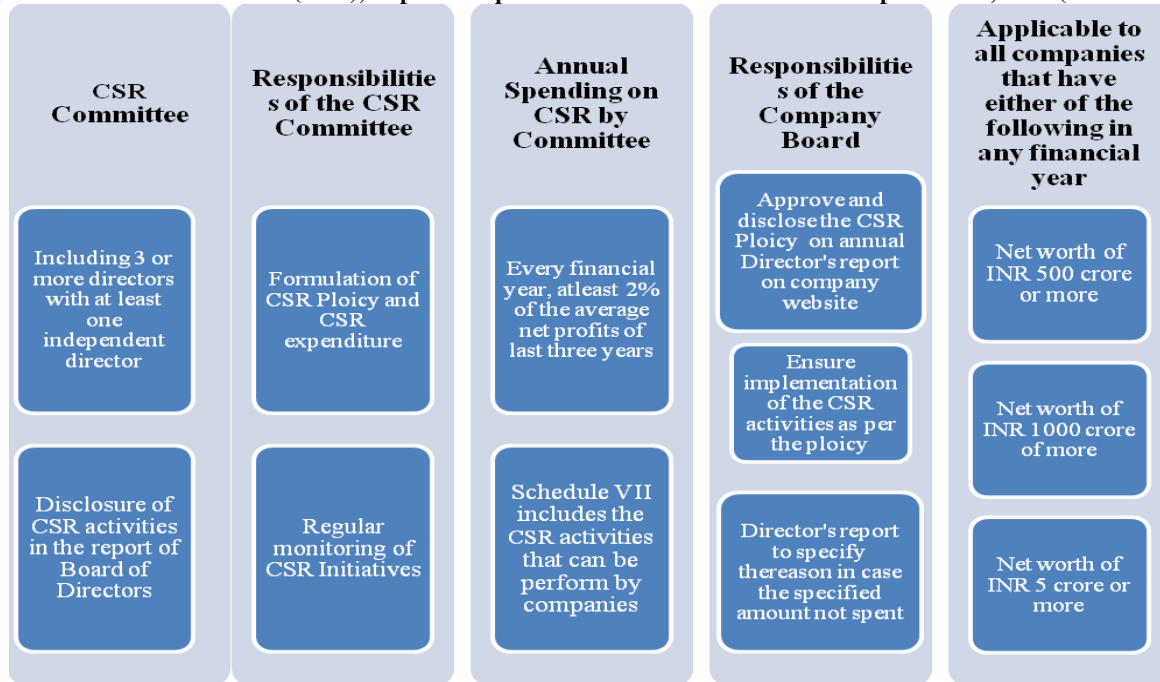
The following figure shows the triple bottom line of the corporate social responsibility:



Kansal, et al., (2013) examined the Corporate Social Responsibility Disclosures (CSRDs) made by the top 100 companies in the Bombay Stock Exchange (BSE) 500 index. He relates the disclosures level of the selected companies to their financial and non- financial determinants. The Content Analysis methodology was used to measure the Corporate Social Responsibility Disclosures (CSRDs) of the sampled companies. The current level of CSR in the large business organizations in Indian economy was examined. It was concluded that the overall disclosures of the CSR in Indian economy were low.



Fig. 2.1.1: Global CSR Submit (2013), Explain Requirement of the CSR Clause in Companies Bill, 2012 (Schedule 135)



As per the Section 135, Companies Act 2013, it is the compulsion for all the business organizations operating in India to spend 2% of the average profits of last three years for the development of the society or for other Corporate Social Responsibility activities. The new set of law of CSR will be applicable for the business organization from the year 2014- 15 onwards. About 6,000 business organizations will involve the several Corporate Social Responsibility practices. According to a report published in the Forbes Magazine in March, 2013, the top 100 companies were spending Rs. 1,765 crore in but according to the new law, they will spend Rs. 5,611 crore in 2012.

Under the Schedule VII of the Act, the business organizations can include the following activities as their Corporate Social Responsibility practices:

- Better Education system,
- Promoting gender equity,
- Women Empowerment,
- Reduction of Poverty,
- Reduction in child mortality,
- Improving Maternal health,
- Fight with HIV/AIDS, malaria and other harmful diseases,
- Environment Protection,
- Social business projects
- Contribute in the prime minister's national relief and some welfare programs for the SC/SCT/OBC and minorities.

**Nasscom Foundation Report, (2015)** Indian companies are playing important role in the social development because they have desire to give back to the society and even some companies contribute beyond the necessity. In 2012- 13, Indian companies spend \$0.5- \$0.6 billion for the development of society. According to Companies Act, 2013, it is mandatory for the business organizations in India to spend 2% of the average profits of last three years. If all the companies spend their mandated parts of profits, the total contribution was estimated to grow about four times to \$ 2.5 billion. The technological companies contribute 20% or more for Corporate Social Responsibility activities.

#### Objectives of the Study

- To study the concept of Corporate Social Responsibility in Global context.
- To understand role of CSR in Indian context.
- To identify the least common focusing areas of Corporate Social Responsibility of developed and developing countries.



### Review of Literature

**Mishra, S., & Suar, D. (2010)** examined the data from 150 Indian companies and analyzed that companies' financial and non- financial performance affected by the Corporate Social Responsibility. It could be concluded that the companies that were listed in stock exchanges, have better CSR and Financial Performance. But the ownership pattern and company size have no influence on the CSR and Financial Performance and Non- Financial Performance. Positive Corporate Social Responsibility perception of the stakeholders has increased the company performance.

**Harribey, L. E. (2011)** analyzed that companies used the Corporate Social Responsibility practices as a strategic factor and citizenship based strategies. It was argued that Corporate Citizenship can be attained from societal change and undeniable.

**Bauman, C.W., & Skitka, L. J. (2012)** identify the effects of the Corporate Social Responsibility on the employees of business organizations. They examined the importance of Corporate Social Responsibility which helps in the attracting positive attitudes of the employees towards the company and satisfying them.

**Melo, T. (2012)** Corporate Social Performance (CSP) had a positive impact on humanistic society. The internal cultural values and beliefs force to establish a good relationship between business organizations and stakeholders.

**Jose, P. D., & Saraf, S. (2013)** reported that Corporate Social Responsibility included the corporate governance from among the highest reported variables and which were followed by the Corporate Social Responsibility in order to improve the overall efficiency of the business organizations. The main focusing areas of CSR by most of the initiatives were- education, healthcare, social welfare and infrastructure development. The business organizations follow a general CSR policy as their marketing communication strategy in their corporate philanthropy.

**Sawant, P. D. (2014)** with the help of a study of Pharmaceutical Companies in India it can be concluded that many of the business organizations did not include the CSR activities as an expense but they included the CSR activities as affiliation with the society, environmental benefit and a medium to increase the reputation of the business organization. According to the new company's law, it is compulsory to all the business organizations to involve in the Corporate Social Responsibilities in India.

**Kumawat, CA. K. (2014)** concluded from an appraisal of ITC Ltd., that the CSR has positive impact on financial performance of the companies. Therefore, those companies who want to gain strategic advantage (like, taxation provisions, rating and rankings, brand value, customer loyalty, positive attitude of stakeholders, etc.), they should be actively involved in the Corporate Social Responsibility practices. TCS which was considered as the most popular company, actively involved in the Corporate Social Responsibility activities which result in increased profits and share prices and the Return on Equity has also grown from 25.68% in 2005 to 36.19% in 2014 over the period.

**Santosh, M., & Baral, R. (2016)** examined the various CSR practices and the mode of communication to internal as well as external stakeholders in their exploratory study. By using content analysis technique have analyzed various aspects of CSR communication in 26 companies in Chennai by adopting the snow ball sampling method.

### Research Methodology

The data for the research work is collected from the secondary sources including journal publications, books, magazines, websites, and internet and research papers. Total 54 sources are selected and all these sources are analyzed to fulfill the overall objectives of the research work. And 40 sources are analyzed to identify the most common focusing areas of Corporate Social Responsibility in developed and developing countries. The identified focusing areas of corporate Social Responsibility are grouped into the 10 categories. Each category shows that how much stress was given to them in the developed and developing countries. Content Analysis is used in order to identify the main focusing areas of Corporate Social Responsibility mostly adopted by the business organizations in the developed and developing countries. The Content Analysis methodology was developed in 1979 by Manifesto Research Group.

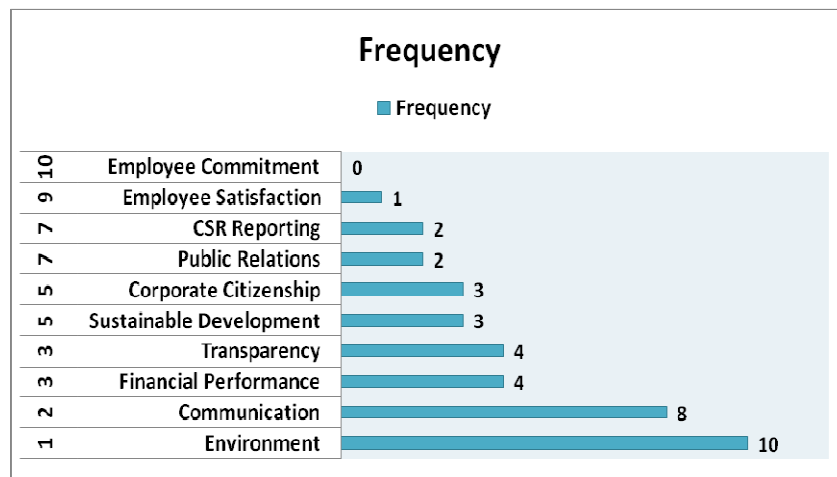
### Data Analysis

Through the Content Analysis process, the important categories of Corporate Social Responsibility are summarized. Table-4.1.1 shows the frequencies of appearance of each category in the sampled literature. The number of sources are counted in which a category (area of CSR) occurs even once, it is considered as category frequency. For example, the first row of Table-4.1.1 and figure 4.1.1 shows that the category 'environment' occurred in the 10 of the 40 sources which are used in Content Analysis.

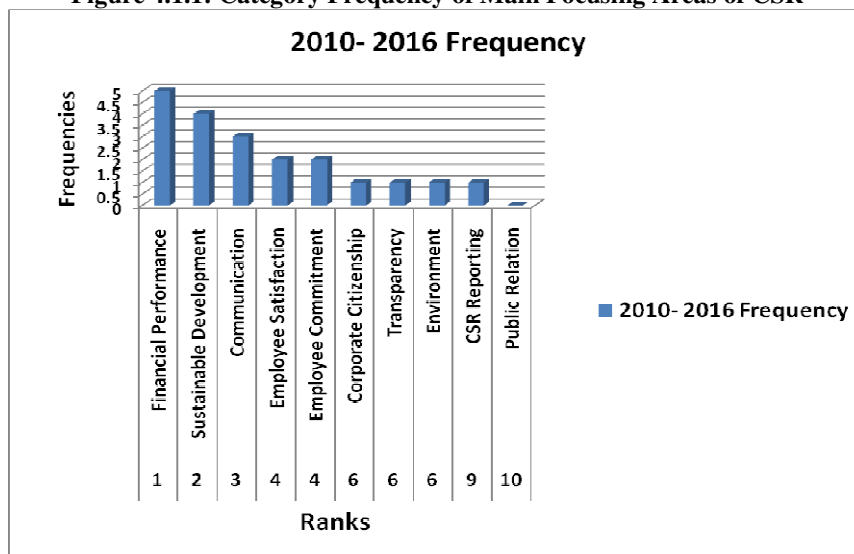


**Table 4.1.1: Category Frequency of Main Focusing Areas of CSR (40 sources)**

Rank	Factors	Frequency
1	Environment	10
2	Communication	8
3	Financial Performance	4
3	Transparency	4
5	Sustainable Development	3
5	Corporate Citizenship	3
7	Public Relations	2
7	CSR Reporting	2
9	Employee Satisfaction	1
10	Employee Commitment	0



**Figure 4.1.1: Category Frequency of Main Focusing Areas of CSR**



**Figure 4.2.2: Category Frequency of Main Focusing Areas of CSR in 2010- 2016**

In Figure 4.2.2 it is showed that there are changes in the frequencies which can be depicted from the area graph of period



(2010- 2016). Similarly, the left side of the graph shows the highest frequency of the factors and the right side of the graph shows the lowest frequency. And it shows that 'Financial Performance' factor shows the higher frequency and 'Public relations' shows the lowest frequency in the time period of (2010- 2016).

### Implications of the Study

In this research work, the main focusing areas of CSR are identified which are most common in the developed and developing countries. The ranking of the factors provide some ideas about the importance of each of them. It is also identified that which factor was given to less importance as focusing area of CSR in developing countries.

Further studies may use these 10 factors of focusing areas of CSR in their research work on area of CSR in developing countries.

### Conclusion

The research paper concluded that studies on focusing areas of Corporate Social Responsibility consists a conceptual core, after studying the concept of Corporate Social Responsibility in global context, it can be concluded that Corporate Social Responsibility has different perspectives in different countries due to the cultural traditions. The OECD (Organization for Economic Co- operation and Development) frame a set of CSR guidelines for the MNCs for their economic and social development and about 30 member countries and 11 observers' countries followed these guidelines.CSR problems for example; European countries have a common problem of natural environment. In order to meet the challenge of CSR in developing countries, a vision was setup in 2000 in the Millennium Development Goals. Now a day, many business organizations in developing countries are growing their interest towards the Corporate Social Responsibility. Because it helps them to increase their financial performance and corporate reputation as well as the societal development. The least common focusing areas of Corporate Social Responsibility in developed and developing countries are also identified. In overall, the least common area is also 'Employee Commitment', and in time category of 2010- 2016, the least common area of CSR is 'Public Relations'. The developed and developing countries can focus on these areas of Corporate Social Responsibility in order to their further development.

The study also provides 10 categories of the focusing areas of Corporate Social Responsibility. These 10 categories are given ranks according to their occurrences in the sample literature. This can be used as a basis for the further research.

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