

Corporate Social Responsibility: Bone of Contention

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CSR is a concept, which states that Private Corporation or public organization has a responsibility to society. Corporate social responsibility reduces not only the cost but risks as well, thereby, increases the brand value and reputation of the company. According to Bowen, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objectives and values of our society." These CSR activities need to be in tune with effective strategic policies so that the aim of sustainable environmental, social, and economic progress may be achieved.

Keywords: Corporate social responsibility, shareholders, stakeholders, private sector, India.

I. Introduction

The concept of corporate social responsibility is getting attention now-a-days. India is developing at a fast pace, and the economic growth of the country has led all the corporates to work on two-fold objectives. The first objective is profit maximization, and the second objective is to do social welfare activities. This societal concept has given rise to corporate social responsibility. The societal concept of business suggests a business to operate all its activities in favor of society and for the betterment of society. This is also called corporate citizenship. The growth of corporates depends on society because, ultimately, it is the society that provides the human resources to the organizations, and it is the society that consumes the products and services produced by the organizations.

According to Porter and Kramer (2006), society and corporates both dependent on each other. All the business decisions should be taken, which can benefit both society and organizations. Businesses need to adopt the integrated approach where the social objectives should be a part of the overall corporate objectives. Corporations should understand that the policies of business have a great impact on the stakeholders and society. The vision of the companies should clearly integrate the social and economic goals in order to increase the satisfaction level of its stakeholders. Organizations should integrate socially responsible behavior in their strategic plans to sustain for the long term in the market.

With the growth of the societal concept, companies have also realized the importance of corporate social responsibility. Organizations have not only started performing corporate social responsibility

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programs but also started communicating these activities to their stakeholders. Corporations are trying to improve their current methods and procedure for doing business in order to reduce the negative impact of their activities on society and the environment both. However, the corporates are following an unstructured approach to fulfill its social responsibility. Thus, the organizations are not getting real benefits from doing social responsibility programs or activities. There is a need to understand the concept of corporate social responsibility, the arguments in favor and against the corporate social responsibility and the relationship between corporate social performance and financial performance.

II. Objectives of the Study

The main objective of the study is to make an extensive review of literature related to corporate social responsibility in order to understand the concept of corporate social responsibility and the issues and challenges related to it in detail.

III. Research Methodology

The study is descriptive in nature. It is purely based on secondary data. Research papers, published and unpublished reports, doctoral thesis, reports of government agencies, etc. have been extracted from the internet and from various database such as; Ebsco, ProQuest, emerald, and digital libraries.

IV. Meaning of Corporate Social Responsibility

The commitment of the business towards social and economic development will lead to an improvement in the working environment and quality of work-life of employees. CSR can also be defined as an integrated approach followed by the company to show its concern for environmental and social issues, which are directly or indirectly related to their own business operations. It also includes the integration of internal and external stakeholders in business operations. Corporate social responsibility activities mainly include the programs or actions of a corporate which are taken by the company for the improvement of environment or actions for making society aware of the environmental concern. CSR includes the decision to make society a better place to live while making the environment safe and healthy. CSR activities are performed by the corporates with a motive to improve their relationships with their stakeholders. CSR can also be defined as a continuous commitment of the business towards the social, economic, and environmental objectives while at the same time maintaining a balance between the interest of various stakeholders. Researchers have given arguments both in favor and against the corporate social responsibility. Some

researchers have also argued that CSR is only a formality through which companies show off their social behavior due to the reason that government bodies are continuously observing the operations of large organizations. Non-government organizations, ethical consumerism, market forces, consumer awareness, social awareness, increased level of education, government regulations, accountancy firms, ethics training, and the employees of the companies work as driving forces for the organizations to adopt the ethical and social practices in their routine operations. Organizations need to make a separate strategy for corporate social responsibility activities in order to know which activity/action/operation of our business a negative effect on the environment as well as on the society. Thus, it can be said that the main motive or corporate social responsibility is to make the companies aware of their economic, social, and environmental responsibilities.

Lunde (2002) has claimed another popular way of explaining the meaning of corporate

social responsibility (CSR) for an organization that is through the triple bottom line concept i.e., social, economic, and environmental bottom line. Another study of Sharma and Kiran (2012) defined corporate social responsibility as "CSR is an essential and obligatory characteristic of an organization in the prevailing environmental conditions." The base of corporate social responsibility has arisen from the theory of stakeholder. According to the stakeholder, theory business is an integrated system of both the economic and social goals, Vasal (2009). The Stake-holder theory also puts stress on legitimizing the existence of an organization in society by fulfilling both the social and financial expectations of all the stakeholders, including internal as well as external stakeholders. Sundarajan (2009) has explained the relationship of a corporation with its stakeholders by stressing on the importance of identification of their key stakeholders and their needs. Thus, overall, it can be said that corporate social responsibility is the social and ethical behavior of an organization towards their stakeholders, internal as well as external.



Figure 1: Corporate Social Responsibility

Bala Subramaniam and Kimber (2000) attempted a study to measure the relationship between corporate governance, corporate reputation and competitive credibility. The study highlighted that the social and ethical behavior affects the corporate reputation which leads to corporate stability, especially in the sensitive and dynamic global market environment. The performance of any organization depends upon the relationship of the organization with its stakeholders, internal as well as external. The prime objective of any business organization is to protect the interest of all the stakeholders. The interests of business should be integrated with the interests of the society.

V. Arguments in Favour of Corporate Social Responsibility

Corporates can get huge range of benefits by following the good corporate citizenship practices. Ethical and social behavior of the corporates not only improves the commercial relationship but also improves the society and the environment. In order to take benefits of good corporate citizenship, corporates need to take care of the interests of all the stakeholders (Keeble and Brown, 2002). Good corporate

citizenship can improve the performance of the companies as well. Figure 2 explains the relevance of the corporate socially responsible behavior of the companies. Corporate social responsibility practices of the company helps in building strong and improved relationships with the customers, and with the other stakeholders, improves the public image of the company, increases the employee satisfaction by providing better workplace, increases the customer satisfaction by providing the better service quality, and also helps in improving the performance of the company.

Rahul (2011), the study highlights the arguments in favor of corporate social responsibility. CSR practices of companies give benefits in long run to the business in the way of increased customer database, high goodwill, improved corporate image and quality products and services. Due to benefits of CSR initiatives, companies have included CSR initiatives in their core values. Further, the research highlighted that the corporate social responsibility practices work as a competitive tool by the companies and also help in building a sustained image of the company.

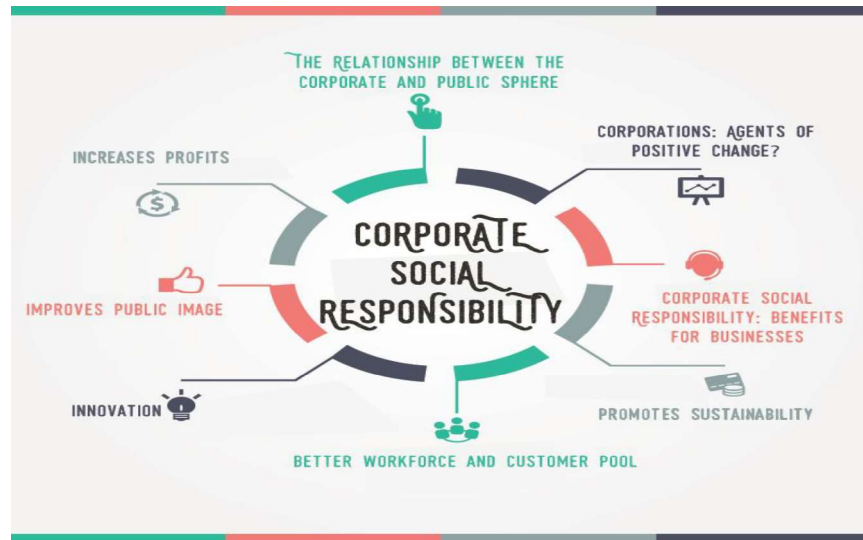


Figure 2: Relevance of Corporate Social Responsibility

Carroll's CSR Pyramid theory is one of the widely used theories by the researcher to understand the concept of corporate social responsibility. The theory includes the four aspects of the CSR namely; economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. All these four types of responsibilities come in decreasing order in the pyramid according to their decreasing importance. Business managers and researchers have made use of this theory to explore and define the concept of CSR. The Pyramid of CSR is very useful for business managers to understand the different obligations of business towards the society within which they operate. Carroll's theory has integrated the concepts of corporate and stakeholders' citizenship into the pyramid. The economic responsibility is at the base of the pyramid which shows the increased

importance of the business is to maximize the profits of the business. The other type of responsibilities can be fulfilled only when the business fulfills the economic responsibility very well. A business needs to earn high profits to serve the society or community. After economic responsibility, legal responsibility comes at the second place. Business needs to obey the laws, rules and regulations to survive in the market. The legal component comes to the second on the hierarchy. The third component in the hierarchy of Carroll's pyramid is the ethical responsibilities of a business. Business should embrace values and norms and should not involve questionable practices. However, it is very difficult to deal with the ethical responsibilities, as they tend to be vague and continually under public debate. Philanthropic responsibility comes at the top of the pyramid. The philanthropic

responsibilities are those activities of a business that society expects from a business to be a good corporate citizen. Philanthropic responsibility involves giving something back to the society and being a good corporate citizen by giving donations and participation in charities or other community welfare programs.

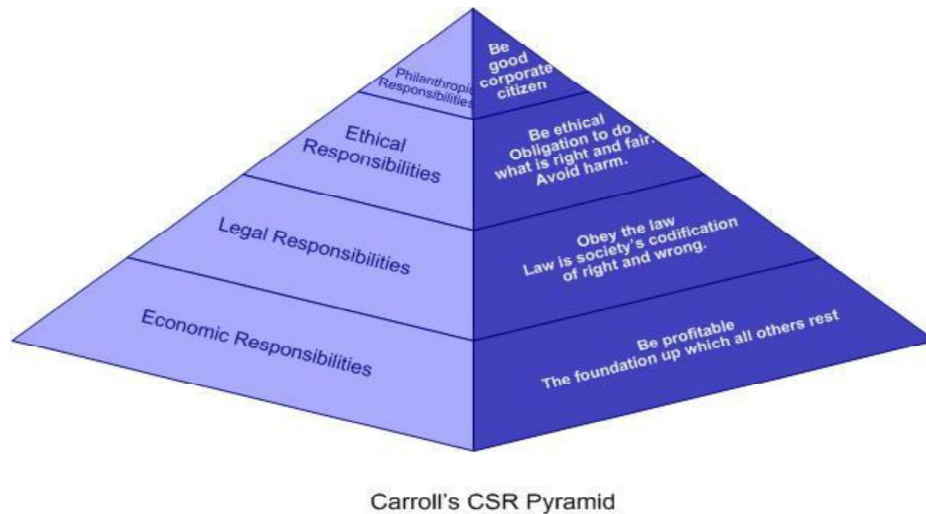


Figure 3: Carroll's Pyramid of CSR

VI. Conclusion

It can be concluded from the study that corporate social responsibility is related to the societal concept of the business which states to look beyond the profits. Corporate social responsibility is an integrated approach of the business CSR activities can be integrated in every business function such as; while making production of goods companies can follow the production process which can cause less harm to the environment in this way companies can do CSR activities towards environment. Companies can make eco-friendly products for the safety and health of

the customers. Green advertising can be opted by the companies to cause less harm to the customers. Employees can be provided better working environment to make employees happier and more satisfied. Waste disposal policy of the company can be environment friendly. Thus, there is not a single way in which company can perform its social responsibilities but there are numerous ways to do that. Ultimately, the social development will get improved by the CSR activities of the companies and the economy will grow.

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