

## **CHAPTER-2**

### **LITERATURE REVIEW**

Research work cannot be completed without the in-depth study of the earlier researches. Prior research work not only provides guidance but also throws light on the direction in which any new research must proceed. Researcher begins research by reading. It is important for the researcher to be familiar with both previous theory and researches published so far in the field of investigation or study. So, in order to assure its familiarity, the researchers have to build upon the accumulated and recorded knowledge of the past. In this research, an extensive literature review conducted over a period of 2 years from 2011 to 2013 which in the end may be concluded as follows:

The concept of CSR was coined in 1953's in the US with the publication of Bowen's Social responsibility of businessmen. (Corporate watch report 2006) From 80's CSR has become very important because corporation started accepting responsibility toward society.

Shell was the first company to start CSR activities in their organization way back in year 1998. (Corporate watch report 2006) According to Bowen-“CSR refers to the obligations of businessmen to pursue those policies and to make those decisions or

to follow those lines of relations which are desirable in terms of the objectives and values of our society.”

Frederick (1960) stated that Social responsibility means that businessmen should oversee the operation of an economic system that fulfills the expectations of the people.

Davis (1960) argued that social responsibility is a nebulous idea but should be seen in a managerial context. He asserted that some socially responsible business decisions can be justified in a long run but it is a complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook. Very few studies have looked at CSR practice in India. Different researches at different points of time have emphasized the CSR practice of corporate entities in India. The research presents here the resume on various studies undertaken by several researchers from time to time in India and also abroad.

The first study in India on CSR reporting titled “Corporate Social Reporting in India” which developed a 33 item disclosure index including “environmental” control measures (Singh and Ahuja, 1983).

A comparative study conducted by Khan and Atkinson( 1987) on the managerial attitudes to social responsibility in India and Britain shows that most of the Indian executives agreed CSR as relevant to business and felt that business has responsibilities not only to the shareholders and employees but also to customers, suppliers, society and to the state.

A survey conducted by TERI-Europe and ORG-MARG (2001) in several cities in India found that more than 60% of the people felt that the companies should be held responsible for bringing down the gap between rich and poor, reducing human rights abuses, solving social problems and increasing economic stabilities.

Another study conducted by (Kumar 2001). “Altered Images –The 2001 State of Corporate Responsibility in India Poll”, focused on environmental sustainability.

The EU Green Paper (2001) identifies two main dimensions of business implementation of CSR in an internal dimension in-company and external dimension of stakeholder participation.

A survey conducted by CSM (2001), presented the various motives of the companies taking up various parameters of CSR.

Windsor (2001), article examined the future of Corporate Social Responsibility or the relationship between business and society in long run. The researcher tried to find out that whether the organization and society will come closer to each other in future or not and what will be the changing phase of CSR.

Conway (2003) in his study on iron ore mining industry in Goa shows that many large mining companies have their own initiatives towards environmental and social development. However, a structured CSR policy and planning is missing especially among the small and medium players in the industry.

Nigel Sarbutts (2003), the paper explored the way of doing CSR by small and medium sized companies. The research depicted that a structured approach to managing corporate reputation and profit maximization of SME's through CSR.

Chamhuri Siwar and Siti Haslina Md.Harizan (2004) their study on CSR practices amongst business organizations in Malaysia aimed to analyzed the extent of CSR practices among different types of organizations and industries in Malaysia in terms of environmental and social dimensions. A total of 500 companies were selected based on the quota sampling that comprises 25 Govt. linked corporation, 50 multinational corporation, 50 corporation, 50 other Malaysian corporations and 375 small and medium sized enterprises. The study revealed that multinational companies bring benefits the society through width, generation, employment, skill development and transfer and community initiatives. It was also found that small and medium sized enterprises also play a pivotal role and supports the practices of CSR.

Arora and Puranik (2004) reviewed contemporary CSR trends in India concluding that the corporate sector in India. He concluded that the corporate sector in India has benefitted immensely from liberation and privatization process, its transition from philanthropic mindsets to CSR has been lagging behind its impressive financial growth.

D.Y. Chacharkar and A. V. Shukla (2004) in their paper entitled "A study of Corporate Social Responsiveness" tried to highlight theoretically the benefit of CSR through "iceberg effect" diagram. The results showed that just like iceberg, except the recognition and appreciation, the larger part of CSR initiatives for the company are

invisible in the form of publicity, image building, expansion of customer base and profit.

According to Shinde, (2005), during study it was found that there was little documentation of social responsibility initiatives in India. Since then there is a growing realization towards contribution to social activities globally with a desire to improve the immediate environment. It has also been found that to a growing degree companies that pay genuine attention to the principles of socially responsible behavior are also favored by the public and preferred for their goods and services. This has given rise to the concept of CSR.

Chapple and Moon (2005) found that nearly three quarters of large companies in India have shown in their reports and brochures to have been following the policies and practices of CSR.

R.S. Raman (2006), in a study on “Corporate Social Reporting in India-a view from the top”, used content analysis technique to examine the chairman’s message section in the Annual Reports of the top 50 companies in India to identify the extent and nature of social reporting. The study concluded that the Indian companies placed emphasis on product improvement and development of human resources.

Karmayog CSR Ratings report that “environment” is one among the three main CSR areas (Karmayog, 2007, 2008, 2009 and 2010).

Samuel Odowu and Papasoplomou Loanna (2007) conducted a study on twenty companies in U.K. They promulgated that the U.K companies has now become ethical in the content of social responsibility as companies disclose its CSR with a view of public benefits, government request and issue information to stakeholders because the companies is of the view that stakeholders of twenty first century are better educated than the past.

Chauhan and Verma (2007) found that roads, pollution and power are the major concern for businesses CSR activities in relation to the area in which they are least concern that is communication and education

According to (KPMG and ASSOCHAM, 2008). Companies are considered as part of society and therefore act in a socially responsible manner beyond economic performance.

Murthy (2008) examined the corporate social disclosure practices of the top 16 software firms in India. The 2003–2004 annual reports were analyzed using content analysis and it was found that the human resources was the most frequently reported followed by community development activities and the environmental activities was the least reported. Most of the information was qualitative and was disclosed in the ‘other’ sections of the annual report. Some firms had separate sections for each category while many others disclosed their social practices in the introductory pages of the annual report. The researcher suggested that shortage of skilled labor in the software sector might have lead to social disclosure (CSD) practices in the human resources. Firms seemed to have engaged in community development activities without expecting

changes to their economic performance and the CSD of community activities seemed to be shaped by the expectations of the society.

Dutta and Durgamohan (2009) found that education holds the first place followed by health and social causes. Similarly, According to Infosys founder, Narayan Murthy, 'social responsibility is to create maximum shareholders value working under the circumstances, where it is fair to all its stakeholders, workers, consumers, the community, government and the environment'. Commission of the European Communities 2001 stated that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and the relation with stakeholders.

Christoph Lattemann et al. (2009), in their study examined why business firms in China in spite of having a higher level of economic growth, communicate less about CSR than those of firms in India. They underwent the factors relating to country, industry and firms in order to know the intensity of communicating CSR and concluded that Indian firms communicate CSR more due to a more rule based rather than relation based governance environment.

Jermy Moon in his paper on “Government as a driver of Corporate Social Responsibility” examined the role of government in driving corporate social responsibility among the corporate. The study exposed that the drivers of CSR are related with business and society. The study further discovered other country’s situation and how their government entered into business for driving CSR.

Shashank Shah and Sudhir Bhaskar (2010) made a case study of Bharat Petroleum Corporation Ltd. (an Indian Public Sector Organization). They found that there is a broad relationship between the organization and the society. The organization used the resources of the society like human, material etc and in reverse they provide services to the society. The study also revealed that BPCL has taken a lot of initiatives in order to serve the society.

Debabrata Chatterjee (2010) in his research paper entitled “Corporate Governance and CSR: The case of three Indian companies” tried to analyse the corporate governance practices of three prominent Indian firms viz; ITC Ltd., Infosys Technologies Ltd., and Reliance Industries Ltd. The study was made taking four parameters i.e., Approach to Corporate Governance, Governance Structure and Practices, Board Committees and CSR activities. The study found that though the Corporate Governance practices are exemplary, there exist differences in the way the companies adopt these practices. Infosys seems to be doing much better than the other two.

A paper on CSR in rural development sector: Evidences from India by Sanjay Pradhan and Akhilesh Ranjan (2010) concludes that social responsibility is regarded as an important business of Indian companies irrespective of size, sector, and business goal. The study shows that all surveyed companies present themselves as having CSR policy and practices. Most of the companies which design and implement CSR initiatives in the vicinity of their works cover entire community. A wide range of CSR initiatives ranging from income generation activities for livelihood, health check-up camps, mobile health services, education, adult literacy, agricultural development,



provision of drinking water, management and development of natural resources, infrastructure facilities being carried out by these companies.

Times Foundation (Times Foundation, 2010) undertook a national survey on “Corporate Social Responsibility Practices in India” to understand the underlying dynamics of CSR and the current situation in India, amongst leading business organizations from various sectors. The findings of the survey place “environment” among the most popular areas of intervention for companies as part of their CSR initiatives.

Monika Hartman (2011) in her article “CSR in the food sector” analyzed the importance of CSR in food sector particularly those companies which have high brand. The study found that SME’s are less capable of discharging their obligation towards society. Further the study revealed that food sector always tries to improve the controlling and discharging its services towards consumers. It was also found that consumers show preference for those brands or food sector that give importance to CSR activities.

Supriti Mishra, Damodar S. (2010) empirically examined CSR impact on financial and non financial performance of Indian firms and concluded that listed firms show responsible business practices and better financial performance in comparison to non listed firms. Findings suggested that responsible business practices towards primary stakeholders could be profitable for Indian firms.

Jorge A. Arevalo et al. (2011) investigate the approach, drivers and barriers for implementing CSR practices in Indian firms. The study finds that CSR approach that is most favored by Indian firms is the stakeholders approach and the moral motive followed by profit motive is important driver for Indian firms to pursue CSR. The findings indicate that the obstacles in the way of implementing CSR are lack of resources followed by implementation related difficulties.

Shruti Gupta (2011) empirically examined CSR perception comparatively between Consumers in India and USA. Findings revealed that a substantial part of US consumers were unaware of CSR initiative companies. It was concluded that both the countries have a positive level of CSR practices incorporated in their business firms.

Mallen Baker (2012) in his article on “Four emerging trends in Corporate Responsibility” tried to elucidate three basic things about the trends of CSR that have changed from last so many years. Firstly, the relationship between business and society has changed. They have come closer because of the social and environmental problem prevailing around the world. Secondly, the strategy of the businessman to develop business also affected the society a lot. Their new ideas, concept, developments also came with CSR management that reflects in their product and services. Lastly, the changes of CSR are also affected by other parties like outside agencies and the firm’s own goals that interfere the firm’s activity.

Foo Nin Ho et al. (2012) conducted empirical test to examine national culture and geographic environment on business firms. Results showed that Hofstede’s cultural dimensions were closely associated with Corporate Social Performance (CSP)

and European companies are found to Outperform to those of other countries under consideration in CSP.

Nagib Salem Bayoud et al. (2012) made an exploratory study to examine the relationship between Corporate Social Responsibility Disclosure (CSR D) and employee commitment in the selected business firms of Libya. The study concluded that the majority of employees interviewed were of the opinion that as CSR D related to employee and employee activities increase employee commitment towards their company also increase.

Bibhu Prasad and Mohanty (2012) made a study on “Sustainable Development Vis-à-vis Actual CSR”. The findings showed that companies today invests in a lot of areas like child labour, ground water, food, education, etc but they are not aware of the essential need of the poor. The study suggested that though profit earning is a natural fact of companies, CSR is beyond the natural and statutory obligation of the companies. The study concluded that sustainable development is the development of the society as well as the company in a balanced way.

Harbajan Bansal, Vinu Parida and Pankaj Kumar (2012) in their paper entitled “Emerging trends of CSR in India” analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas, Cipla etc. The study concluded that the companies today are working not only to earn profit but have also

realized the importance of being social friendly. Social Responsibility today has started taking a turn in the new direction.

Bansal, Parida, Kumar (2012), paper entitled “Emerging trends of Corporate Social Responsibility in India” in KAIM Journal of Management and Research analyzed 30 companies of 11 sectors listed in the Bombay Stock Exchange with the help of their annual reports. Some of these sectors were Transport Equipment sector, Finance and Metal Mining sector, IT & Power, Capital goods, Telecom, Housing, FMCG, Oil & Gas and Cipla. The paper considered the nature and areas of society in which the companies are investing. By considering all those areas it was concluded in the paper that today companies are not working only to earn profit but also have realized the importance of being social friendly. So, on the basis of the paper it can be said that social responsibility has now started taking a turn in the new direction.

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.

Bhattacharyya & Chaturvedi (2012), article entitled "CSR looks set to emerge as an independent stream with measurable output" on India CSR site, stated about the proposed bill of CSR that how the bill will affect the company's policies. The researchers presented their views and said that due to this bill, company's activities will change a lot the companies who has not engaged in CSR activities till now, will start investing on society. Further, who has already engaged in these areas will get a strong foundation or bond with the society.

The Economic Times (11 Jan.2013), news highlighted about the company Dell's strategy of motivating its employees in initializing CSR. The news discussed that company's employees are the power that forced the company to do more for the society. Company with its employees has engaged in social responsibility activities in the areas of education, environment and employees welfare. Beside Dell Company, the news also discussed about other companies like Maruti and Godrej that these companies also provide induction training to its employees for preparing them for community services. Maruti Company run a program named e- parivartan for a group of employees to make them aware about community problem and their solution.