CORPORATE SOCIAL RESPONSIBILITY: A CLUSTER OF SOCIOLOGICAL, ETHICAL OR POLITICAL CONCEPTS.

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INTRODUCTION

STATEMENT OF PROBLEM

The Indian economy is one of the largest economies in the world. But besides of this fact, a large number of the people of India are living in absolute poverty, which in some or the other manner presents a picture of uneven distribution of benefits of growth, which is the major basic cause of social unrest of the country. Besides the fact that economic development is the determining factor that whether a country is a developed or developing or least developed, it deters the environment or natural resources. Therefore, it is the responsibility of the government to protect the environment and social security. The government and various statutory bodies to settle this unrest, issued some guidelines which are voluntary in nature on Corporate Social Responsibility which is popularly known as CSR for the sake of protection of society and environment. But now the responsibility lies on the business and corporate world for the effective participation in the form that they spend some of their profit on CSR. CSR in simple terms can be understood which refers to the running the affairs of a company in conformity with 'business ethics'; 'transparency'; 'good governance' and 'being accountable to both the shareholders and the society at large. Business ethics involves fair and honest treatment to all the stakeholders, including the shareholders. Some people may get confuse the concept of CSR with that of charity by the corporate bodies or entrepreneurs, some may consider it as 'philanthropy'; some may consider as a form of "good governance" or some may consider as "business ethics". As it has been said that this concept of CSR is not a new phenomenon and rather its roots exist in Indian culture as India has one of the richest traditions of CSR because of the reason that charity and philanthropy existed in Indian culture from the time immemorial. Hence, in the light of above background, it can be said there prevails a dichotomy regarding the nature and definition of the concept of CSR throughout the globe. And since it is emerging as the most important strategy being adopted by big corporate houses to protect the society and environment, it is important to eradicate this prevailing confusion regarding its nature and definition. This paper is an attempt of the author to settle down the nature of the concept of the CSR.

SCOPE OF THE TOPIC

This paper is an attempt to define the nature and definition of the concept of CSR. As it has been said that CSR is all about corporate entities acting as good corporate citizens, therefore, the scope of the paper may include the brief introduction of the concept of "corporate citizenship". CSR can be understood from various perspectives which may include (a) the societal perspective; (b) the strategy-driven perspective; (c) the stakeholder perspective; (d) the ethical perspective; (e) the political perspective; and (f) the philanthropic perspective. The paper shall also be dealing with the "evolution of CSR in India" which shall include various phases of the development and evolution of CSR which has been divided into five phases. The paper shall also be covering the "CSR competency framework" which has been adopted by the British Government as a flexible tool which can be considered as a 'way of thinking' for companies. Further, the paper shall also be dealing with all the concepts such as 'philanthropy'; 'good corporate governance' etc. with which the concept of CSR has been compared with. The paper shall also mention in brief the "recent trends of corporate sector in CSR activities". Lastly it shall include the brief account of "CSR strategies and policies". And accordingly, conclusion shall be drawn with an attempt to determine the nature and definition of the concept of CSR.

RESEARCH OBJECTIVE

The objective of this research paper is to make an attempt to define the concept of CSR as there has been dilemma regarding the actual nature of the concept of CSR. Some may confuse it with charity done by the corporate bodies some may consider it as a means of philanthropy; some consider it as a means of good corporate governance. So in the opinion of the author it is required to delimit its scope and also to provide it a specific definition by understanding its nature and various strategies and policies which are being adopted by various companies or corporate bodies now-a-days.

HYOTHESIS

On the basis of the above statement of problem, the author has drawn the hypothesis for this paper which can be mentioned as: "Is the concept of CSR an amalgamation of various other concepts or it has a completely different footing and has its own individual understanding?"

RESEARCH QUESTIONS

1. What is the prevailing understanding of the concept of CSR?
2. How does the concept of CSR relate to the concept of corporate citizenship?
3. What are the similarities between the concept of CSR and philanthropy and how can they be distinguished from each other?
4. How has the concept of CSR evolved in India?
5. How far the concept of CSR has proved to be a competent framework for the good corporate governance?
6. What are the recent trends of the corporate sector in CSR activities?

7. What strategies and policies have been adopted by the corporate sector to adhere to CSR guidelines?
8. Is the concept of CSR an amalgamation of various other concepts or it has a completely different footing and has its own individual understanding?

TENTATIVE SUB TITLES

a) Introduction
b) Concept of CSR
    i. Evolution of CSR in India
    ii. Concept of corporate citizenship
c) Perspectives involved in the concept of CSR
d) The CSR legislative competency framework
e) CSR strategies and policies
f) Recent trends of the corporate sector in CSR activities
g) Conclusion as to what is the nature of CSR.

I. CONCEPT OF CORPRATE SOCIAL RESPONSIBILITY

Corporate social responsibility refers to running the affairs of the company in conformity with business ethics, transparency, good governance and being accountable to both the shareholders and the society at large. Business ethics involves fair and honest treatment to all the stakeholders, including the shareholders. CSR is the integration of business operations and values, whereby the interests of all the stakeholders including investors, customers, employees, the community and the environment is reflected in the company's policies and actions. The words of former President Dr. A.P.J. Abdul Kalaam were: "CSR, if it is implemented with sustainability as a focus, enhances business sustainability, provides new opportunities, develops customer loyalty and improves stakeholder relationship. It should become an integral part of corporate strategy, management practices, business operations, product development and conservation of environment.[1] CSR is a concept which has become dominant in business reporting. Now-a-days every corporation has a policy concerning CSR and produces report annually detailing its activity. There are two interesting points regarding this: firstly we need not necessarily agree with each other about what is socially responsible; secondly, although we claim to recognise what it is or is not when we are asked to define it then we find this impossibly difficult.[2] The emerging concept of Corporate Social Responsibility (CSR) goes beyond charity and requires the company to act beyond its legal obligations and to integrated social, environmental and ethical concerns into company's business process. Business has today, emerged as one of the most powerful institutions on the earth. Some of the biggest companies in the world are in fact, bigger in size than some of the developing countries of the world. Globalization makes the world smaller, and business, worldwide, is expanding like never before.

[1] Bhuvanesh Sharma, "India's Evolving CSR Landscape".
[2] David Crowther and Cruler Aras, *Corporate Social Responsibility*, Ventus Publishing APS.

Companies are expanding their operations and crossing geographical boundaries. Indian companies too have made their way into the business boom and are today globally acknowledged as major players. India is currently amongst the fastest growing countries in the world. The globalization and liberalization of the Indian economy has helped in stepping up growth rates. Integration of the Indian with the global economy has also resulted in Indian businesses opening up to international competition and thereby increasing their operations.

In the current scheme of things, business enterprises are no longer expected to play their traditional role of mere profit making enterprises. The ever-increasing role of civil society has started to put pressure on companies to act in an economically, socially and environmentally sustainable way. The companies are facing increased pressure for transparency and accountability, being placed on them by their employees, customers, shareholders, media and civil society. Business does not operate in isolation and there is today, an increased realization that not only can companies affect society at large, but they are also in a unique position to influence society and make positive impact. Milton Friedman, Nobel Laureate in Economics and author of several books wrote in 1970 in the New York Times Magazine that "the social responsibility of business is to increase its profits" and "the business of business is business". This represented an extreme view that the only social responsibility a law-abiding business has is to maximize profits for the shareholders, which were considered the only stakeholders for the company. However, time has given the term 'stakeholder' wider connotations.

Edward Freeman defines, 'a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization's objectives.' Thus, the term stakeholder includes (apart from shareholders), but not limited to, customers, employees, suppliers, community, environment and society at large. These and a host of other such ideas have given rise to the concept of Corporate Social Responsibility (CSR). The concept of CSR goes beyond charity or philanthropy and requires the company to act beyond its legal obligations and to integrate social, environmental and ethical concerns into its business process. Business for Social Responsibility defines CSR as "achieving commercial success in ways that honor ethical values and respect people, communities, and the environment. It means addressing the legal, ethical, commercial and other expectations that society has for business and making decisions that fairly balance the claims of all key stakeholders. In its simplest terms it is: "what you do, how you do it, and when and what you say." A widely quoted definition by the World Business Council for Sustainable Development states that "Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".[3]

Defining CSR

CSR can be defined as the economical, legal, ethical and discretionary expectations that society has of organisations at a given point in time. The concept of CSR means that organisations have moral, ethical and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and

[3] Concept of CSR *available at:* indiacsr.in/concept-of-csr/ Last Accessed November 13, 2016.

comply with the law. CSR requires organisations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community, state and federal governments, environmental groups, and other special interest groups.[4] The broadest definition of CSR is concerned with what is or rather should be the relation between global corporations, government of countries and individual citizens. More locally the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between the corporation and the stakeholders. Corporate social responsibility, often abbreviated "CSR," is a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social wellbeing. The term generally applies to efforts that go beyond what may be required by regulators or environmental protection groups.CSR may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change.[5] Corporate Social Responsibility is a business approach that contributes to sustainable development by delivering economical, social and environmental benefits to all the stakeholders. CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Moreover, CSR is a very broad concept which covers human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatever is the definition of CSR, its purpose is to drive change towards sustainability. [6] Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or responsible business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms.[7]

II. Evolution of CSR in India

The evolution of corporate social responsibility in India refers to changes over time in India of the cultural norms of corporations' engagement of corporate social responsibility (CSR), with CSR referring to way that businesses are managed to bring about an overall positive impact on the communities, cultures, societies and environments in which they operate. The fundamentals of CSR rest on the fact that not only public policy but even corporations should be responsible enough to address social issues. Thus companies should deal with the challenges and issues looked after to a certain extent by the states.

Among other countries India has one of the oldest traditions of CSR. But CSR practices are regularly not practiced or done only in namesake especially by MNCs with no cultural and emotional attachments to India. Much has been done in recent years to make Indian Entrepreneurs aware of social responsibility as

[4] *Supra* note 1.
[5] CSR *available at:* www.investopedia.com/terms/c/corporate-social-responsibility.asp Last Accessed November 14, 2016.
[6] Definition of CSR *available at*: lexicon.ft.com/Term?term=corporate-social-responsibility—(CSR) Last Accessed November 15, 2016.
[7] CSR *available at*: https://en.wikipedia.org/wiki/Corporate_Social_Responsibility Last Accessed November 20, 2016.

an important segment of their business activity but CSR in India has yet to receive widespread recognition. If this goal has to be realised then the CSR approach of corporations has to be in line with their attitudes towards mainstream business- companies setting clear objectives, undertaking potential investments, measuring and reporting performance publicly. Over the time, way back from 1850 during industrialisation, the charity and philanthropy were main matters of CSR. Its motives changed during the independence movement in India to more of social reforms to encourage empowerment of women and rural development. Then came the era of globalisation and economic liberalisation where, due to increased growth momentum, Indian companies grew rapidly and, therefore, they showed more interest and were able to contribute towards growth of society and for social cause.

In earlier days till today also, Indian companies were spending on philanthropic activities and whether such activities be construed as CSR activities, the new regulation is not clear. This will definitely affect the sentiments of companies indulging in philanthropic activities keeping in view the government proposal in the Companies Bill 2012 to make CSR activities mandatory with penal provisions for not complying with. It is important for the Government to ensure that its role does not create an extreme situation where its role becomes an interventionist.[8]

The history of CSR in India is parallel to the historical development in India. Therefore the evolution of CSR can be divided into five phases, namely:-

a) Pre Independence Struggle Era

b) Independence Struggle Era

c) Post Independence Era

d) Economic Liberalisation Era

e) Current Scenario

Post Independence Era

In this period, CSR was influenced by family values, tradition, culture and religion, along with industrialisation. Till 1850, the richer businessmen shared their wealth with the society by either setting up temples or religious institutions. In this era, construction of temples or religious institutions were considered as the contribution of industrialists or wealthy persons towards society.

Independence Struggle Era

The approach towards CSR changed with the arrival of colonial rule in 1850, in the pre-independence era. The second phase related to the struggle period of independence, when Mahatma Gandhi urged the powerful industrialists to share their wealth for the benefit of the underprivileged section of our society. He gave the concept of trusteeship, which helped in socio-economic growth of the country. He influenced the building of trusts for colleges, research and training institutes, to enhance social reforms like rural

[8] *Supra* note 1.

development, women empowerment and education. In this phase, the concept of CSR was changed from setting up of religious institutions to setting up of educational institutions also.

Post Independence Era

This is the third phase from 1947-1990, during which CSR was influenced by the emergence of public sector undertakings to ensure proper distribution of wealth. In 1965, great stress on social accountability and transparency in private sector was given by the academicians, politicians and businessmen. The policy of industrial licensing, high taxes and restrictions on the private sector resulted in corporate malpractices, which led to the enactment of legislation for corporate governance, labour and environmental issues.

Economic Liberalisation Era

It started when the Indian economy started to liberalise its economic policies. The Indian Companies integrated CSR into a sustainable strategy. The period of 1990, when globalisation and economic liberalisation took place in respect of partial withdrawal of control and licensing system; there was a substantial growth in the Indian economy, which led to increased momentum in industrial growth, making it possible for the companies to contribute towards their social responsibility. The state of mind of the corporate sector changed and charity was accepted as a responsibility. Companies started CSR activities and the government also introduced voluntary guidelines (CSR Guidelines, 2009). CSR was not philanthropy and CSR activities were purely voluntary that is what companies would like to do beyond any statutory requirement or obligation. To provide companies with guidelines in dealing with the above mentioned expectations, while working closely within the framework of national aspirations and policies, voluntary guidelines were developed.

Current Scenario

Companies are often involved in irresponsible practices and failure in corporate governance has led to the emergence of law on CSR. It is made mandatory and was adopted as a means of inclusive development with sustainable business strategy.

III. PRINCIPLES OF CSR

As we have seen that the author has tried to present the current dilemma regarding the definition of the concept of corporate social responsibility, hence it is very important to identify such components which are the constituents of this concept. It has already been laid down that there are three basic principles which comprise all CSR activity:

a) Sustainability

b) Accountability

c) Transparency.

Sustainability implies that society must use no more of a resource that can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem and described with input- output models of consumption. Measure of sustainability would consider the rate at which resources are consumed by the organisation in relation to the rate at which resources can be regenerated. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice organisations mostly tend to aim towards less unsustainability by increasing efficiency in the way in which resources are utilised.

Accountability necessitates the development of appropriate measure of environmental performance and the reporting of the actions of the firms. This necessitates costs on the part of the organisation in developing, recording and reporting such performance and to be of value the benefits must exceed the costs. Benefits must be determined by the usefulness of the measures selected to the decision-making process and by the way in which they facilitate resource allocation, both within the organisation and between it and other stakeholders.

Transparency means the external impact of the actions of the organisations can be ascertained from the organisation's reporting and pertinent facts are not disguised within that reporting. Thus all the effects of the actions of the organisation, including external impacts, should be apparent to all from using the information provided by the organisation's reporting mechanisms. Transparency is of particular importance to external users of such information. Transparency can be seen to follow from the other two principles and equally can be seen to be a part of the process of recognition of recognition of responsibility on the part of the organisation for the external effects of its actions and equally part of the process of transferring power to external stakeholders.[9]

IV. CSR STRATEGIES AND POLICIES

India`s new Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business" Companies Act 2013 (Companies Act) has introduced several new provisions which change the face of Indian corporate business. One of such new provisions is Corporate Social Responsibility (CSR). The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Ministry of Corporate Affairs has recently notified Section 135 and Schedule VII of the Companies Act as well as the provisions of the Companies (Corporate Social Responsibility Policy) Rules, 2014 (CRS Rules) which has come into effect from 1 April 2014.

Applicability: Section 135 of the Companies Act provides the threshold limit for applicability of the CSR to a Company i.e. (a) net worth of the company to be Rs 500 crore or more; (b) turnover of the company to be Rs 1000 crore or more; (c) net profit of the company to be Rs 5 crore or more. Further as per the

[9] Carroll A.B., A three-dimensional conceptual model of corporate performance, AMR 4(4). 497-505.

CSR Rules, the provisions of CSR are not only applicable to Indian companies, but also applicable to branch and project offices of a foreign company in India.

CSR Committee and Policy: Every qualifying company requires spending of at least 2% of its average net profit for the immediately preceding 3 financial years on CSR activities. Further, the qualifying company will be required to constitute a committee (CSR Committee) of the Board of Directors (Board) consisting of 3 or more directors. The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

Definition of the term CSR: The term CSR has been defined under the CSR Rules which includes but is not limited to:

- Projects or programs relating to activities specified in the Schedule; or
- Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per the declared CSR policy subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR assumes significance as it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. Flexibility is also permitted to the companies by allowing them to choose their preferred CSR engagements that are in conformity with the CSR policy.

Activities under CSR: The activities that can be done by the company to achieve its CSR obligations include eradicating extreme hunger and poverty, promotion of education, promoting gender equality and empowering women, reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired, immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability, employment enhancing vocational skills, social business projects, contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

Local Area: Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with 2 or more companies for fulfilling the CSR activities provided that they are able to report individually. The CSR Committee shall also prepare the CSR Policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create share value.

The company can also make the annual report of CSR activities in which they mention the average net profit for the 3 financial years and also prescribed CSR expenditure but if the company is unable to spend the minimum required expenditure the company has to give the reasons in the Board Report for non compliance so that there are no penal provisions are attracted by it.

V. CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT

The theoretical literature on environmental CSR addresses two main questions. First, what drives firms to engage in CSR? Second, what are the welfare effects of CSR? Numerous explanations have been advanced for the recent surge of environmental CSR. Perhaps pollution is symptomatic of broader production inefficiencies, and pollution reduction and cost reduction go hand in hand to create "win/win" opportunities in today's economy. Perhaps a new generation of "green" consumers is willing to pay higher prices for clean products, and firms are simply responding to this shift. Or perhaps business has become savvier about the workings of the political system, taking proactive steps to avert political conflict (e.g., regulatory threats, enforcement pressures, boycott threats from nongovernmental organizations [NGOs]) rather than reacting to public pressure after the fact.

The Public Policy Life Cycle

The public policy life cycle is a very useful framework for corporate issues management, and is commonly used in textbooks on the relationship between public policy and business strategy. Four stages are typically identified. First is the *development* stage, in which events occur that lead various segments of the public to become aware that a problem exists. There is a key distinction in the literature between models with complete information and models with incomplete information. Within the policy life cycle, the development stage is concerned primarily with gathering and disseminating information, which virtually requires the use of incomplete information models. To the best of our knowledge, however, there is as yet no theoretical work in economics on the development stage of the life cycle. Second comes *politicization*, in which the issue acquires a label, opinion leaders begin to discuss the problem in public, the news media become more active in covering the issue, and interest groups begin to mobilize around the issue. There are two key parts to the politicization stage: political entry by organized groups, and the influence game that ensues once all groups have entered (Peltzman 1976). *Organizing costs*, which can be viewed as the fixed costs involved in preparing to enter the political arena, include the costs of gathering information on (environmental) issues, learning about the costs and efficacy of various policy alternatives, and coordinating with other individuals on a common strategy for achieving political influence. *Influence costs* are the marginal costs incurred after a group has decided to enter, and include campaign contributions, programs to mobilize public opinion, and lobbying costs. One of the most compelling aspects of environmental CSR is that it can economize on both types of costs.

The politicization stage is sometimes capped by a dramatic event that crystallizes the nature of the problem for the general public, setting the stage for legislative action. The incident at Three Mile Island and the discovery of a hole in the ozone layer are examples of such events, which strengthened the hand of interest groups pressing for action on these issues. Third is the legislative stage, in which political leaders create new laws responding to the issue. For example, following the dramatic events mentioned above, politicians tightened regulatory standards for nuclear plants and negotiated the Montreal Protocol on ozone-depleting substances. Fourth comes *implementation*, in which administrative agencies flesh out the details of the new legislation, and regulators, police, and the courts enforce it. The traditional public policy life cycle assumes that policy pressures are applied through government. However, as Baron (2001) has noted, NGOs are increasingly abandoning the legislative process in favor of direct engagement with corporations. In this case, the third and fourth stages of the policy life cycle-legislation and implementation-are replaced by what Baron calls "Private Politics." In other words, rather than legislation occurring in the third stage, NGOs make direct demands on corporations for changes in their social or environmental activities. An NGO may either issue threats (such as boycotts or negative media campaigns), or promise rewards (such as endorsements) to induce a company to accede to its demands. If the company refuses, the NGO attempts to follow through on its threats. In a setting of private politics, the fourth and final stage of the policy life cycle (implementation) entails resolution of the NGO-firm dispute. This usually involves bargaining between the two sides, in which the firm agrees to undertake improvements in its environmental and/or social profile and in return the NGO agrees to stop inflicting harm on the firm.

Market Forces and Environmental CSR

The growing attention to corporate environmental initiatives in the business press strongly suggests that market forces—in the markets for products, capital, and labor—are increasingly powerful drivers of corporate environmental improvement.

Demand-Side Forces

Production and sale of environmentally friendly products is a growth business, from organic food to organic cotton shirts to hybrid cars and ethanol fuel. Arora and Gangopadhyay (1995) were the first to provide a rigorous economic explanation of this growth in green consumption, applying a standard model of vertical product differentiation to capture consumer heterogeneity in willingness to pay for environmental attributes. In this setting, one firm has incentives to increase its quality in order to reduce price competition with a rival. The notion that green products command a price premium has since been incorporated into numerous other models that study additional aspects of environmental CSR. As one might expect, the level of competition in a market affects the amount of environmental CSR firms undertake.

Public Politics and Environmental CSR

Collective action is often required to solve environmental problems, and public politics remains the key venue for most collective action to protect the environment.

Preempting Regulatory Threats

One important reason that industry invests in CSR is to preempt advocacy groups from organizing to enter the political arena and press for regulation (i.e., the politicization stage in the policy life cycle). Because organizing and lobbying are costly for advocacy groups,investing in CSR may enable industry to preempt regulation with a lower level of abatement.

Voluntary Agreements

It is easy to see why industry and advocacy groups prefer to avoid the high costs of working within the regulatory system. Interestingly, regulators may share the desire to reduce the costs of regulation, and may negotiate “voluntary agreements” (VAs) with industry to circumvent the traditional regulatory process. Since industry is not required by law to participate in such programs, they are also considered to be a part of environmental CSR. When regulators bargain with industry, one might argue that the regulator could commit to blocking passage of threatened legislation if a VA is reached. (Segerson and Miceli, 1998)

present a model based on this notion, and find that assuming the VA has lower transaction costs than government regulation, both industry and government benefit from signing the agreement

PUBLIC VOLUNTARY PROGRAMS

PVPs are inherently weaker instruments than mandatory regulations such as environmental taxes, standards, or cap-and-trade programs (Lyon and Maxwell, 2003). Since PVPs are voluntary and involve only carrots, unlike a mandatory program, they cannot force inefficient, dirty firms out of business. Additionally, unlike an environmental tax, PVPs deplete public coffers, rather than contributing to them. Furthermore, if industry believes a subsidy program is possible, it has greater incentives than usual to lobby against mandatory regulation. For these reasons, we should have only modest expectations for PVPs. Nevertheless, PVPs may be useful programs when stronger measures are politically infeasible.

Private Politics and Environmental CSR: The Role of NGOs

NGOs are playing an increasingly influential role in CSR. This is due in large part to the Internet, which has significantly lowered the internal and external communication costs of NGOs. More specifically, this translates into lower costs for bringing together like-minded individuals and groups to plot complex strategies that can bring attention to the group’s concerns (internal communication). It also means lower costs for informing the public about objectionable corporate activities, and mobilizing the public for action (external communication).

The Activism Process

In the realm of private politics, an NGO targets a firm to induce it to undertake environmental

or social change. The NGO's goal is perhaps best thought of as the optimization of environmental services subject to constraints, the most important of which is the need to retain the support of the general public, as this is the source of the NGO's power. Mitigation of the objectionable activity is presumably costly to the firm; otherwise the firm would simply comply with the mitigation request from the NGO. In order to induce compliance with its demands, the NGO may take an adversarial approach, threatening harm for noncompliance, or a cooperative approach, offering the firm a reward for compliance. As mentioned above, the firm might decide to self-regulate by taking voluntary actions in order to avoid a threat of harm. Alternatively, the NGO may participate in the firm's self regulatory
efforts, as part of the provision of a promised reward.

NGOs as Adversaries

If the NGO chooses the adversarial path and the firm rejects the NGO's demand, the NGO
will attempt to deliver its threatened harm (e.g., disseminating negative propaganda about the firm, launching a consumer boycott of the firm's products). These activities are designed to negatively impact sales, employee morale, corporate recruitment efforts, etc. These same tactics may also be used against the firm's suppliers to induce them to cease dealing with the
firm, thus bringing about indirect pressure on the firm to step up its CSR activities. Resolution of the NGO's campaign can occur in three ways: (1) The firm remains intransigent and the NGO decides to cease its campaign, (2) The firm acquiesces to the NGO's demands, or (3) The firm and the NGO negotiate a mutually acceptable level of CSR activity and the NGO stops its campaign. Within this setting, actions that seem altruistic may be indistinguishable from strategic CSR. Interestingly, even an altruistic firm that voluntarily undertakes the socially optimal level of mitigation is not necessarily protected against adversarial NGO demands. Because the NGO's focus is on improving environmental quality, it will pressure firms to reduce pollution beyond the level that balances the costs and benefits of abatement. In fact, in some cases, the altruistic firm may be a more attractive target for theNGO than a profit-maximizer, since it has less incentive to resist the NGO's demands. Although the targeting strategies of NGOs are fascinating, and play a critical role in shaping strategic CSR behavior, they have just begun to receive attention from academic researchers. A pioneering example is the work of Baron and Diermeier (2007), who develop a theory
of adversarial NGO campaigns.

NGOs as Allies

Most environmental CSR activities involve changes to a firm's production process. Consequently, when viewed through the lens of CSR, a corporation's products can be classified as credence goods, that is, goods whose relevant attribute, in this case environmental or social responsibility, is not discernable, even after consumption. If firms wish to obtain credit for their CSR activities through increased prices or sales, or possibly even through heightened employee morale, public recognition is necessary. While some firms may have reputations that make their statements credible to the public, this is likely the exception rather than the rule. As a result, firms often need to seek third-party verification of their CSR efforts. For this purpose, NGOs make excellent potential corporate allies, since they have more credibility with the public than does a typical corporation. In fact, a recent poll found that 55 percent of Americans trust NGOs, while less than 30 percent trust CEOs of major corporations.20 NGOs can use their credibility with the public to certify the existence of environmentally or socially beneficial process changes. The literature has focused on two issues: (1) How NGOs can credibly convey information to the public and (2) How the presence of NGOs may affect government decisions to set minimum-quality standards on an industry.

Welfare Effects of Environmental CSR

Thus far we have focused on positive theories and analyses to illuminate the market and political forces that drive environmental CSR and the roles that environmental CSR can play as a part of overall corporate nonmarket strategy. In this section, we consider what theory has to say about the *social desirability* of CSR in the environmental arena. Overall, we find that there is no grand result showing that CSR is necessarily beneficial to society. Whether it improves welfare depends upon the function CSR performs within a particular context, for example, a specific phase of the public or private policy life cycle.

Welfare Effects of Strategic CSR in the Marketplace

When externalities are present, market forces alone typically will not induce socially optimal environmental protection. Monopoly power in markets for polluting goods is environmentally beneficial, since it reduces total quantity purchased and hence total pollution. Even when “green” goods compete with “brown” goods, markets will not achieve optimal environmental protection, since market prices will reflect private benefits from purchasing green goods but not the benefits to society at large.

VI. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT IN INDIA

Recent trends

Recent studies and surveys have shown that India’s CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to invest US$ 67.5 million in 2010-11 on social and environmental causes. Similarly, NALCO has contributed US$ 3.23 million for development work in Orissa's Koraput district as part of its CSR. India Inc has established a global platform to showcase the CSR performance of Indian business entities. In the same vein, Confederation of Indian Industry (CII) and the TVS Group collaborated to set-up the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It aims to provide consultancy services and technical assistance on social development and CSR. Given this, India has been named among the top ten Asian countries for its emphasis on CSR disclosure norms. The social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009, ranked the country fourth in the list. Similarly, in September 2010, 'Sustainability in Asia Reporting Uncovered' based on four parameters viz. General, Environment, Social and Governance has

positioned India only second in country ranking in Asia and is ranked as first in general category. However, private business entities have generated a mixed reaction from general public. There is no denying to the fact that some of the private enterprises has considerably contributed towards sustainable development. Although, there are sufficient laws which focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach. Though, there has been limited success in achieving the goals of CSR. Given the uncertain economic scenario coupled with widespread poverty and unemployment, it becomes very difficult on the part of government to take stringent action against national and

multinational business firms to ensure greater compliance to CSR laws and legislations. Comparatively, lower environmental and labour standards of foreign direct investment targets are appealing to trans-national corporate because such lenience boosts production efficiency and increases competitiveness in the short term, resulting into increased profits and productivity. This is one of the leading causes for apathy to strongly enforced laws related to CSR in India. It is equally true that the relationships between various stakeholders in business are becoming more transparent, interdependent, responsible and harmonious. Country's public sector enterprises have one of the best CSR ranking in the world and some of the private sector firms have equally earned praise for their efforts in the domain of education, health and welfare oriented schemes. Big welfare schemes like national Food security Act need active financial supports from corporate to make such schemes a success.

Non-governmental organisations, civil society and media have further enhanced the scope for greater cooperation and harmony between corporate and the society in which they operate. Finally, we have a welfare oriented democracy in which our political classes should be sensitive towards the welfare of the common masses.

VII. CSR CONTROVERSY

Many countries separate philanthropy from social responsibility. While in India, it is seen as weapon for social activities including recruitment and retention. Also, many argue that it helps in building an image of the organization. While some argue that government does away with their role of playing a regulatory body over the powerful business houses. Others criticize that CSR is not their basic economic role of business. Some even say that CSR is put in place to gain commercially as well. It is also argued that CSR initiatives undertaken result into deviation from basic business roles. While some others state that the impact of the CSR is not only impacts profits but benefits the society at large. In the light of these arguments, the trend of increased CSR initiatives cannot be ignored clearly reflecting the awareness the companies in India have gathered today.

Challenges and Suggestions

Challenges

It is important for CSR strategies to become central to business strategy and part of the long-term planning process. Stakeholders are questioning more on CSR initiatives of the companies today. They are challenging the companies' decisions-making in this direction. It has become imperative to incorporate stakeholders' views. In India the CSR managers face number of challenges in managing CSR activities. The biggest problem is of lack of budget allocations followed by lack of support from employees and lack of knowledge as well. Lack of professionalism is another problem faced by this sector. Absence of training and undeveloped staff are additional problems for reduced CSR initiatives.

General Public also do not take enough interest in participating and contributing to CSR activities of companies as they have little or no knowledge about it. The increasing demand for more transparency and accountability on the part of the companies and disclosure of information through formal and improved reporting is also inevitable for the companies. The more the open and honest disclosure, the stronger and trusting relationships can be built with the stakeholders and consumers.
Small companies do not take adequate interest in CSR activities and those which undertake them fail to disclose it to the society. In the process they loose out on people and their trust in them. Media can come up with strong support for informing the people at large about the CSR initiatives taken up by the companies. It can sensitize population and also make them aware of the benefits of CSR to them. However, media is not doing enough in this regard. The failure of the government to come up with statutory guidelines to give a definite direction to companies taking up CSR activities, in terms of size of business and profile of CSR activities also results into few companies practicing CSR concept adequately.

Suggestions:

Companies can set a network of activities to be taken up in a consortium to tackle major environmental issues. It would also provide an opportunity to learn from each other. Everyone in the organisation needs to recognise their own role in promoting CSR. Companies should provide wider professional development activities. Training, conferences and seminars could be organised by companies to disseminate and generate new knowledge and information in this sector. A strong budgetary support would definitely help to grow this sector and research related to respective industry would enhance their organisation's contribution further. Government regulations which are supporting in this direction could attract more response from organisations. All this would also lead to benchmark CSR activities.

Companies need to involve their stakeholders in order to build meaningful and long term partnerships which would lead to creating a strong image and brand identity. It is also suggested to review existing policies in order to develop more meaningful visions for the companies and broaden their contributions to reach to local communities.

VIII. CONCLUSION

Amid various practical difficulties which may have to be encountered at least in the initial phases of implementation of the new CSR provisions, the initiative of the government is no doubt appreciable. The new provisions may be viewed as the result of the changing corporate philosophy in India and worldwide which entrusts the responsibilities on giant corporate towards social welfare of the population which comprise of their present or prospective employees, customers or other stakeholders in varied roles. In order to ensure meeting the true spirits of the new CSR law, a well organized, professionally capable and independent team needs to be formed. It is possible only when companies come forward and join together for this common good goal. Building an expert and trained team of professionals is needed for managing funds earmarked for CSR purposes is required. One step forward has been put forward by Indian Institute of Corporate Affairs (IICA) in this regard. The Institute is planning to initiate a certificate programme on Corporate Social Responsibilities activities for working executives. As the thousands of giant corporates may be involved with funds amounting to thousands of crores of rupees, it will a better idea for the government that rather than fixing responsibility of spending by individual companies, the government should encourage making a common corpus to be managed collectively by experienced professionals to be nominated by the participating corporates. The funds of the corpus may be invested in risk free securities and the income from such investments may be used for gigantic social welfare projects which are capable of covering a large number of populations by raising their income and standards of living who in turn would become the part of growth story of varied industries in India.

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