

SOCIAL RESPONSIBILITY REPORTING IN
INDIAN CORPORATE SECTOR:
AN EMPIRICAL STUDY

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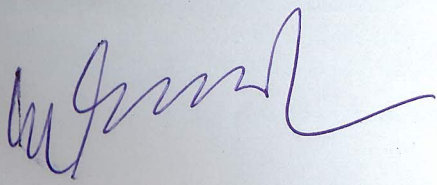
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DECLARATION

I Sri A. N. Shankar, hereby declare that the subject matter of this thesis is the record of work done by me, that the contents of this thesis did not form basis of the award of any previous degree to me or to the best of my knowledge to anybody else, and that the thesis has not been submitted by me for any other research degree in any other university / institute.

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Contents

Chapter No.	Chapter Title	Page No.
	<i>Declaration</i>	<i>i</i>
	<i>Acknowledgement</i>	<i>ii</i>
	<i>List of Tables</i>	<i>iii</i>
	<i>List of Figures</i>	<i>v</i>
	<i>List of Abbreviations</i>	<i>vi</i>
I	Introduction	1-17
II	Review of Literature	18-82
III	Objective and Methodology	83-100
IV	Analysis and Interpretation	101-167
V	Summary and Conclusion	168-183
	Bibliography	184-211
	Appendix	212-228
	Particulars of the Candidate	229

List of Tables

Table No.	Title	Page No.
1.1	Corporate Social Responsibility Theories and Approaches	6
2.1	Theoretical Trends in CSR Thinking	24
3.1	Response Rate of the Survey of Managers	88
3.2	Size and Structure of the Sample	90
3.3	Taxonomy of CSR Themes	92
4.1	Managerial Response Rate on Relevance of Corporate Social Responsibility	103
4.2	Results of χ^2 Test on Relevance of Social Responsibility in Business	103
4.3	Managerial Priority (Ranks) on Various Stakeholders	106
4.4	Results of F-Test for Comparing Means (Managerial Priority on Various Stakeholders –1995 survey)	108
4.5	Results of F-Test for Comparing Means (Managerial Priority on Various Stakeholders –2005 survey)	109
4.6	Results of F-Test For Comparing Prioritization of Stakeholders by Prospective and Overall Managers' in Different Educational Groups	110
4.7	Percentage of Managerial Acceptance of CSR Monitoring Authority	111
4.8	Criteria for Interpreting the Mean Scores	113
4.9	Mean Score of Perceived Outcomes of Corporate Social Responsibility	114
4.10	Results of F test for Significance of Variance in the Level of Agreement Across Various Socio- Organisational Characteristics (1995 Survey)	117
4.11	Results of F test for Significance of Variance in the Level of Agreement Across Various Socio- Organisational Characteristics (2005 Survey)	118
4.12	Results of F-Test for Independence of Mean Scores on Outcomes of CSR Activities	119
4.13	Levels of Managerial Agreement on Purpose, Functions, Accountability and Transactional Implications of CSR	121
4.14	Results of Test (F) of Independence Between Working Managers' Response (1995 Survey) and their Socio- Organisational Characteristics	124

Table No.	Title	Page No.
4.15	Results of Test (F) of Independence between Working Managers' Response (2005 survey) and their Socio- Organisational Characteristics	125
4.16	Test of Independence for Response of Prospective Managers and with Respect to Educational Background	126
4.17	Percentage of Managers Agreeing to More Legislation by Government for CSR Performance	127
4.18	Results of χ^2 Test For Managers Acceptance For Government Bringing in More Legislation for CSR Performance	127
4.19	Percentage of Managers Agreeing to Written Code of Conduct for CSR	130
4.20	Results of χ^2 Test For Managers Acceptance For Written Code of Conduct for CSR	130
4.21	Ranks of Different Criteria for Selection of Social Responsibility Activities	132
4.22	Number of Reporting Companies against Various Themes	134
4.23	Number of Sentences Under Different Themes and Nature	137
4.24	Industry wise CSRPD Statistics and Results of Test of Independence	140
4.25	Industry and Sector wise Magnitude of Reporting on Themes and Results of test of Independence	143
4.26	Nature wise Analysis of CSRPD Sentences	145
4.27	Results of ANOVA for Corporate Social Responsibility Themes and Types of Sentences Reported	146
4.28	Spearman's Rank Correlation Coefficients between CSRPD Scores and ESPI [#] (n=40)	149
4.29	Results of Mann Whitney – U Test (n1=15, n2=15)	151
4.30	Spearman's Rank Correlation Coefficients Between CSRPD Scores and ESPIs for Textile Companies	154
4.31	Spearman's Rank Correlation Coefficients Between CSRPD Scores and ESPIs for Steel Industry	155
4.32	Spearman's Rank Correlation Coefficients Between CSRPD Scores and ESPIs for Cement Industry	156
4.33	Spearman's Rank Correlation Coefficients between CSRPD Scores and ESPIs of Auto Industry	157
4.34	Industry wise Comparison of Spearman's Rank Correlation Coefficients Between Overall CSRPDs and ESPIs	158
4.35	Importance of Different Forms of SRD on Investors' Decision	163
4.36	Importance of Different SRD Themes on Investors' Decision	164

List of Figures

Figure No.	Title	Page No.
3.1	Research Design for the Above Objective	100
4.1	Preferred CSR Monitoring Authority by Managers	111
4.2	Managerial Perception about Outcomes of CSR Activities	115
4.3	Levels of Managerial Agreement on Purpose, Functions, Accountability and Transactional Implications of CSR	122
4.4	Percentages to Total Companies Reporting on Themes of CSR	135
4.5	Sector and Industry wise Number of Companies Reporting CSR Themes	135
4.6	Percentage of Sentences According to Nature Under Different Themes	138
4.7	Importance of Different Forms of SRD on Investors' Decision	163
4.8	Influence of Different SRD Themes On Investors' Decision	165

List of Abbreviations

Abbreviations	Acronyms
A-PEC	Asia-Pacific Economic Cooperation
CFP	Corporate Financial Performance
CRA	Consumer regulation Act of USA
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSRPD	Corporate Social Responsibility Performance Disclosure
EBIT	Earnings Before Interest and Tax
EPS	Earnings Per Share
ESPI	Economic Status and Performance Indicator
ET	Economic Times
EU	European Union
GDI	German Development Institution
GRI	Global Reporting Initiative
GSP	Global Sullivan Principles
ISO	International Organisation for Standardisation
KLD	Kinder Lydenberg and Domini Research and Analyst Corporation,
KPMG	Klynveld Main Goerdeler and Peat Marwick Accounting Firm
LOS	Level of Significance
M Cap	Market Capitalisation
MPS	Market Price of Shares
NAA	National Association of Accountants USA
NGO	Non –Governmental Organisations
NWC	Net working Capital
OECD	Organisation of Economic Cooperation and Development
P/E Ratio	Price to Earnings Ratio
PBT	Profit Before Tax
ROCE	Return on Capital Employed
RONW	Return on Net Worth
ROTA	Return on Total Assets
S&P	Standard and Poor
SAI	Social Accountability International
SOC	Socio- Organisational Characteristics
SRD	Social Responsibility Disclosure
SRI	Social Responsibility Information
TAGR	Total Assets Growth Rate
TGR	Turnover Growth Rate
TISCO	Tata Iron and Steel Company Limited
TNC	Trans National Corporations
UNEP	United Nations Environment Programme
UNRISD	United Nations Research Institution for Social Development
WBCSD	World Business Council for Sustainable Development

CHAPTER - I

INTRODUCTION

Corporate Social Responsibility (CSR), a concept that has been around for well over 50 years, has become prominent again recently in the era of liberalization and globalisation. An increasing number of Trans-National Corporations (TNCs) and large domestic companies, supported by business and industry associations, are adopting a variety of so called voluntary CSR initiatives that incorporate, for example, 'codes of conduct; measures to improve environmental management systems and occupational health and safety; company 'triple bottom line' reporting on financial, social, and environmental aspects; participation in certification and labelling schemes; dialogue with stakeholders and partnerships with NGOs and UN agencies; and increased support for community development projects and programmes'. CSR, as a prescription for 'ethical business' has also taken on a life of its own over the past few years and seems unlikely to disappear at any point in the near future. Corporate Social Responsibility (CSR) is on the rise in India also. Civil Societies, consumers and other actors are exerting pressure on companies to adhere to social and environmental standards and this pressure are impacted on the business in India. Limits of regulatory initiatives, changing nature of judicial activism, governments' greater reliance on private enterprises etc. place greater responsibility on voluntary approaches as an alternative means of building social rights. Voluntary initiatives for environmental protection and other forms of social performance which had been restricted to large firms in India, have recently become regular phenomena of an average company, may well be due to viewing CSR as an integral part of the business. Business and society relations in different countries can vary significantly. Each country has a distinct social structure, dominant issues, institutions and interests, shaped by its unique history, cultural tradition and value system. So, even in the face of rapid globalisation of economy, different societies maintain distinctive economic systems that structure business-society relations. The differences in social and institutional contexts, in turn, determine how corporations interact and

cooperate with other actors in society. Corporate social responsibility (CSR) researchers are yet to delve into this critical dimension of CSR. The present study is just a humble attempt in that direction to reveal what is meant by social responsibility, what is done and reported under social responsibility and ultimately for what business benefits from it.

CSR- Different Schools of Thought:

CSR is a difficult concept to pin down (Birch and Moon 2004)¹ for it overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability. At the same time it is highly contextual not only in terms of its corporate environment but also in terms of its national environment. However, in the literature there exists three discernible 'schools' of thought and practice about corporate social responsibility. These schools may be characterised as the neo-liberal, neo-Keynesian, and radical political economy approaches.

In *neo-liberal* school of thought, the writers while defining CSR tend to see it fundamentally as the adoption of a set of voluntary policies, codes or guidelines, initiated and driven by the corporation. The neo-liberal discourse around CSR generally shares the view articulated by Milton Friedman "... there is one and only one social responsibility of business-to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." However, while this perspective leads some neo-liberal commentators to the view that CSR is basically an unreasonable intrusion into and restriction on business' primary purpose, most neo-liberal adherents who engage in CSR discourse take the view that, while Friedman is basically correct, the adoption of CSR policies by companies can be rational and profitable in the long run. Furthermore, even if doubt exists about the positive role of CSR in profit making, it can be seen as an important insurance strategy to minimise risks from negative government intervention, adverse media coverage and consumer or

¹ Birch, D., & Moon, J. (2004), CSR in Asia Special Issue, *Journal of Corporate Citizenship*, 14, 18-19.

stockholder backlash. However, even here, the neo-liberal assumption is that CSR is a minor component of corporate strategy at best.

Neo-Keynesian approaches on the other hand tend to utilise a wider definition that more clearly recognises the active role of the corporation's stakeholders', and perhaps also of the state. CSR is generally defined as an approach adopted voluntarily by corporations and without external regulation by either stakeholders or the state. For example, the European Union's (EU) Green Paper *Promoting a European framework for Corporate Social Responsibility* (2001)² describes corporate social responsibility as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'. The Certified General Accountants' Association of Canada paper, *Measuring Up: A Study on Corporate Sustainability Reporting in Canada* (2005)³ describes CSR as 'a company's commitment to operating in an economically, socially, and environmentally sustainable manner, while recognising the interests of its stakeholders, including investors, customers, employees, business partners, local communities, the environment, and society at large'. Neo-Keynesian discourse around CSR differs from the neo-liberal perspective in several important ways. Firstly, there is recognition that corporate behaviour can at times have a negative impact whether through market failure, corporate lack of awareness or deliberate strategy. These concerns are reflected in neo-Keynesian CSR discourse around the impact of corporations' environmental policies, workplace practices and the social and economic consequences of corporate activities. Consequently neo-Keynesian analyses focus on quite different reasons for the development of CSR strategies including avoiding problems caused by unfettered corporate behaviours, ensuring environmental and social sustainability and achieving other desirable social and economic goals. Furthermore, neo-Keynesian analyses and discussions of CSR are frequently more inclined to entertain the idea of a positive role for the state in the development and regulation of CSR practice.

² European Commission (2001), *Promoting a European Framework for Corporate Social Responsibility*, Green Paper. Luxembourg: Office for Official Publications of the European Commission.

³ The Certified General Accountants' Association of Canada (2005), *Measuring Up: A Study on Corporate Sustainability Reporting in Canada*.

Radical political economy approaches take a far more critical stance around CSR on several issues. All 'schools' of thought in the evolution of CSR of course possess normative views about the role of business in general and corporations in particular in society. However, radical political economy analyses more openly articulate a very different set of assumptions about the existence and abuse of corporate power in global, national and local economies. Global corporations are seen as possessing enormous power which is often wielded ruthlessly in their own self interest and frequently at the expense of society and the environment. Advocates of voluntary CSR are perceived as lacking a critical political economy analysis and therefore fail to fully understand and incorporate a realistic view of the power structures that exist in society and its economic environment. Hence many of the policies and practices that have been developed to promote CSR are viewed not only as naïve but also as ineffectual and inadequate. Furthermore, radical political analysts are not only sceptical about the effectiveness of CSR programs but also concerned about self-regulatory and voluntary CSR policies that are frequently deliberately designed by corporations to deflect attention away from external regulation and control of corporate behaviour and power and to disguise and legitimise other activities that are socially and environmentally destructive. As discussed below, many activist groups, and others who adopt a radical critique of CSR approaches, openly reject voluntary CSR and advocate an alternative strategy that is generally described as 'corporate accountability'. This includes the impacts, both direct and indirect, on consumer rights, human rights, labour rights, the broader community and the environment'.

Corporate social responsibility does not mean the same thing to all. It conveys the idea of legal responsibility or liability; and conveys the meaning of socially responsible behaviour in the ethical sense; in the form of charitable contribution; social consciousness; appears as synonym for legitimacy in the context of belonging or being proper or valid; a fiduciary duty imposing standards of behaviour on businessmen (Votaw, 1972, p. 25)⁴.

⁴ Votaw, D. (1972), Genius Becomes Rare: A Comment on the Doctrine of Social Responsibility- Part 1, *California Management Review*, 15(2), 25-31.

Conceptually it is again argued (Mele, 2004)⁵ that there are four broad theoretical categories of CSR namely Instrumental, Political-Economic, Integrative, and Ethical. In Mele's classification found, among many, are three popular and most argued theoretical approaches to corporate social responsibility, namely Legitimacy theory, Stakeholders' theory, Agency Theory. Table-1 though devoid of detailed explanation in this study, gives a broader idea about the theories and approaches to corporate social responsibility.

CSR- The Conceptual Changes:

The origin of the CSR construct has been traced back to the works of Bowen, particularly his book *Social Responsibilities of Businessmen* published in 1953 (Valor 2005)⁶. Dubbed as the modern father of Corporate Social Responsibility, he has included issues like stewardship, social audit, corporate citizenship and even issues related to stakeholders (Windsor 2001)⁷. However, he has not provided any definition of CSR. The scope and purpose of social responsibilities have had remained unintelligible owing to lack of a single interpretation. The term, as literature indicates, could be interpreted in various ways. Votaw (1973)⁸ has made one of the most apt observations on CSR, its definition and interpretations. He observes that the term is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others the meaning transmitted is that of responsible for, in a causal mode; many simply equate it with a charitable contribution (Votaw 1973: 11)⁹. Such differing interpretations have been one of the reasons for the lack of a clear and well-accepted definition (for example, Clarkson 1995¹⁰ and Valor 2005)¹¹. Such situation warrants a systematic analysis of the conceptual shifts in CSR over the last quarter century at least if not from the origin of the concept.

⁵ Mele, Domenec, (2004), *Corporate Social Responsibility in Spain: An Overview*, IESE Business School, University of Navarra.

⁶ Valor, Carmen (2005), *Corporate Social Responsibility and Corporate Citizenship: Towards Corporate Accountability*, *Business and Society Review*, 110(2), 191-212.

⁷ Windsor, D. (2001), *The Future of Corporate Social Responsibility*, *The International Journal of Organisational Analysis*, 9 (3), 225-256.

⁸ Votaw, D. (1973), *Genius Becomes Rare.*, in D. Votaw and S.P. Sethi (eds), *The Corporate Dilemma: Traditional Values versus Contemporary Problems*, p 11.45. Englewood Cliffs, NJ: Prentice-Hall.

⁹ Ibid.

¹⁰ Clarkson .M.B.E. (1995), *A Stakeholder Framework for Analysing and Evaluating Corporate Social Performance*, *Academy of Management Review*, 20 (1), 92-117.

¹¹ Ibid..

Table 1.1: Corporate Social Responsibility Theories and Approaches

Types of Theory	Approaches	Short Description	Key References
Instrumental theories (focusing on achieving economic objectives through social activities)	Maximization of shareholder value	Long-term value maximization	Friedman (1970), Jensen (2000)
	Strategies for competitive advantages	<ul style="list-style-type: none"> • Social investments in a competitive context • Strategies based on the natural resource view of the firm and the dynamic capabilities of the firm • Strategies for the bottom of the economic pyramid 	Porter and Kramer (2002) Hart (1995), Litz (1996) Prahalad and Hammond (2002), Hart and Christensen (2002), Prahalad (2002)
	Cause-related marketing	Altruistic activities socially recognized used as an instrument of marketing	Varadarajan and Menon (1988), Murray and Montanari (1986)
Political theories (focusing on a responsible use of business power in the political arena)	Corporate constitutionalism	Social responsibilities of businesses arise from the amount of social power that they have	Davis (1960, 1967)
	Integrative Social Contract Theory	Assumes that a social contract between business and society exists	Donaldson and Dunfee (1994, 1999)
	Corporate (or business) citizenship	The firm is understood as being like a citizen with certain involvement in the community	Wood and Lodgson (2002), Andriof and McIntosh (2001) Matten and Crane (in press)
Integrative theories (focusing on the integration of social demands)	Issues management	Corporate processes of response to those social and political issues which may impact significantly	Sethi (1975), Ackerman (1973), Jones (1980), Vogel, (1986), Wartick and Mahon (1994)
	Public responsibility	Law and the existing public policy process are taken as a reference for social performance	Preston and Post (1975, 1981)
	Stakeholder management	Balances the interests of the stakeholders of the firm	Mitchell et al. (1997), Agle and Mitchell (1999), Rowley (1997)
	Corporate social performance	Searches for social legitimacy and processes to give appropriate responses to social issues	Carroll (1979), Wartick and Cochran (1985), Wood (1991b) Swanson (1995)
Ethical theories (focusing on the right thing to achieve a good society)	Stakeholder normative theory	Considers fiduciary duties towards stakeholders of the firm. Its application requires reference to some moral theory (Kantian, Utilitarianism, theories of justice, etc.)	Freeman (1984, 1994), Evan and Freeman (1988), Donaldson and Preston (1995), Freeman and Phillips (2002), Phillips et al. (2003)
	Universal rights	Frameworks based on human rights, labor rights and respect for the environment	The Global Sullivan Principles (1999), UN Global Compact (1999)
	Sustainable development	Aimed at achieving human development considering present and future generations	World Commission on Environment and Development (Brundtland Report) (1987), Gladwin and Kennelly (1995)
	The common good	Oriented towards the common good of society	Alford and Naughton (2002), Mele' (2002) Kaku (1997)

Source: Elisabet Garriga, Dome' nec Mele(2004),Corporate Social Responsibility Theories: Mapping the Territory, *Journal of Business Ethics* ,53, 51-71.

During the last three decades, the concept of CSR has gone through a progressive rationalization. Rationalization of CSR entails two broad shifts in the conceptualization of CSR (Lee 2008)¹². First, in terms of the level of analysis, researchers have gradually moved from the discussion of macro-social effects of CSR to organizational-level analysis of CSR's effect on financial performance. The second shift takes place, in terms of theoretical orientation, that is visible in the move of researchers from explicitly normative and ethics oriented studies to implicitly normative and performance-oriented studies. By the late 1990s, CSR has been viewed as a strategic choice for its explicit relationship with market outcome (Hart 1997¹³; Kotler and Lee 2005¹⁴; Orlitzky *et al* 2003¹⁵; Porter and Kramer 2002¹⁶). Although empirical evidence for market outcome is yet to come for a definite conclusion (Margolis and Walsh 2003¹⁷; Vogel 2005¹⁸), there is enough rationalization of the fact that an increasing number of shareholders and institutional investors have begun to accept the idea that strategic adoption of CSR could lead to a financial performance in the long run. The shift in conceptualization of CSR has not occurred instantly. Instead, it has been a gradual and arduous process. There have been resistances from intellectuals such as Milton Friedman (1962¹⁹, 1972²⁰), middle level managers viewing CSR as a cost with highly uncertain outcomes and also from managerial ranks within corporations against implementing CSR until the late 1970s (Ackerman 1973²¹; Klepper and Mackler 1986²²). Friedman's (1962)²³ resistance might have been based on his apprehension that in the name of CSR the

¹² Min Dong Paul Lee (2008), A Review of the Theories of Corporate Social Responsibility: Its Evolutionary Path and the Road Ahead, *International Journal of Management Reviews*, 10 (1), 53-73.

¹³ Hart, S. (1997), Beyond Greening: Strategies for a Sustainable World. *Harvard Business Review*, 75(1), 66-76.

¹⁴ Kotler, P. and Lee. N. (2005), *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. Hoboken, Wiley, NJ, USA.

¹⁵ Orlitzky, M., Schmidt F. L and. Rynes. S. L (2003), Corporate Social and Financial Performance: A Meta-Analysis. *Organisation Studies* 24, 403-411.

¹⁶ Porter, M. E. and M. R. Kramer. (2002), The Competitive Advantage of Corporate Philanthropy. *Harvard Business Review*, 80(12), 56-68.

¹⁷ Margolis, J. D. and J. P. Walsh. (2001), *People and Profits? The Search for a Link Between a Company's Social and Financial Performance*. Mahwah, Lawrence Erlbaum Associates Publishers. N.J, USA.

¹⁸ Vogel, D. (2005), *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington, D.C.: Brookings Institution Press. Washington DC, USA.

¹⁹ Friedman, M. (1962), *Capitalism and Freedom*. Chicago: University of Chicago Press. Chicago, USA.

²⁰ Friedman, M. (1972). Milton Friedman Responds: A Business and Society Review Interview. *Business and Society* 1, 1-16.

²¹ Ackerman, R. W. (1973), How Companies Respond to Social Demands, *Harvard Business Review*, 51 (4), 88-98.

²² Klepper, A. and S. Mackler. (1986), Screening Requests for Corporate Contributions. In (ed.). The Conference Board. New York, USA.

²³ Ibid,

executives and managers might misappropriate the shareholders funds in order to enhance their personal social status and further that the managers are devoid of adequate skills and expertise to effectively deal with complex social problem. During the last two decades, however, the concept of CSR has been progressively rationalized and integrated with broader organizational goals such as reputation and stakeholders' management. Adding to this, the vast majority of studies and popular literature on CSR are advocating the positive impact of CSR on the bottom-line performance of a corporation (evident in Margolis and Walsh; Orlitzky *et al.*). Many individual and institutional investors (Graves and Waddock, 1994²⁴; Gozali, et.al, 2000²⁵), as a consequence, have started extending support towards the environmental aspect of CSR.

The core argument is that proactive environmental management eliminates the unnecessary risks associated with potential regulatory and legal actions and improves competitive advantage for businesses (Vogel 2005)²⁶. Although the degree of their conviction may vary, with the rationalization of CSR as a concept, more and more corporate managers are also convinced that CSR can positively influence the financial performance of corporations. According to the survey conducted by The Conference Board, nearly 90% of corporate managers report that their companies take CSR as a part of core business principles, and 70% report that their companies have a corporate foundation that advances social causes (Muirhead, *et al* 2002)²⁷. Today, CSR has been institutionalised with sufficient rationalisation in the business community that most of the Fortune 500 firms not only mention but also actively promote CSR in their annual reports (Boli and Hartsuiker 2001)²⁸. In Indian context also this trend is visible (Raman, 2006²⁹; Kumar 2004³⁰; Elankumaran

²⁴ Graves S, and Waddock S. (1994), Institutional Investors and Corporate Social Performance, *Academy of Management Journal* , 37(4), 1035-1046.

²⁵ Nike O. Gozali, Janice C.Y. How and Peter Verhoeven, (2000), *The Economic Consequences of Voluntary Environmental Information Disclosure*, School of Economics and Finance, Curtin University of Technology, Western Australia, Australia.

²⁶ Vogel, D. (2005), *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, Brookings Institution Press. Washington, D.C, USA.

²⁷ Muirhead, S. A., Bennett C. J., Berenbeim, R. E. Kao A. and Vidal. D. J (2002), Corporate Citizenship in the New Century: Accountability, Transparency, and Global Stakeholder Engagement, In (ed.). *New York: The Conference Board*. NY, USA.

²⁸ Boli, J. and D. Hartsuiker. (2001), World Culture and Transnational Corporations: Sketch of a Project. In (ed.), *International Conference on Effects of and Responses to Globalization*. Istanbul, Turkey.

²⁹ S. Raghu Raman (2006), Corporate Social Reporting in India—A View from the Top, *Global Business Review*, 7(2), 313-324.

2006³¹). *The genesis and direction of conceptual change* regarding CSR is well spelt out in the recent article by Min-Dong Paul Lee(2008)³². The conceptual shift has taken place on multiple aspects. Broadly, the changes can be characterised as greater rationalisation of CSR. In the 1950s and 1960s, the theoretical focus of CSR research was on the macro-social institutions for promoting CSR (Bowen 1953)³³. Bowen conceived CSR as a part of his broader vision of better American society where economic and social goals reinforce each other. Consequently, Bowen (1953, 14–21)³⁴ suggested CSR as a complementary and corrective measure for some social failures inherent in *laissez-faire* economy. Opponents of CSR envisioning much more segregated roles of economic and political actors, on the contrary, argue that corporate managers' first and foremost responsibility is to maximize shareholder wealth, and thus should leave the social problems to politicians and civil society to deal with (Friedman 1972³⁵; Levitt 1958³⁶). Moreover, focusing on the potential agency problems, Friedman argues that corporate managers would make unreliable and inefficient agents of social responsibility.

Because of the vast differences in theoretical orientation and assumptions, the two sides generated an intellectual stalemate for nearly two decades. In the early 1970s, an attempt towards new theoretical development that could reconcile the two sides was initiated. The reconciliation effort inevitably brought the discussion of CSR to a more concrete and observable level of organisations and engaged the question of the financial ramifications of CSR. Although the motivation for research still stems from a normative concern, researchers have attempted to make the managerial outcomes more explicit, while shifting the ethical arguments to the background. The goal of rationalisation efforts during this period was to establish a positive linkage between CSR and corporate

³⁰ Ritu Kumar . (2004), *The state of CSR in India 2004 Acknowledging Progress and Prioritising Action*, Background Paper Presented at National Seminar on Corporate Social Responsibility 2004, New Delhi, India.

³¹ Elankumaran S. (2006), Corporate Codes of Conduct in India: A Survey, *Journal of Human Values*, 12(1), 65-80.

³² Lee(2008), Op .cit. p7.

³³ Bowen, H. (1953). *Social Responsibilities of the Businessman*. Harper and Brothers, New York, USA.

³⁴ Ibid.

³⁵ Friedman (1972), Op .cit. p7,

³⁶ Levitt, T. (1958). The Dangers of Social Responsibility. *Harvard Business Review* 36(5), 41-50.

financial performance (CFP). Most researchers in the 1970s and 1980s, however, tried to find the relationship between CSR and CFP without explaining the relationship. To use Weick's language, the concepts of CSR and CFP became more responsive, but maintained their own identity and logical separateness by being only loosely coupled (Weick 1977)³⁷. For tighter coupling to occur there needed to be a broader theoretical framework explaining the mechanisms that link CSR and CFP. Such a theoretical framework has been developed gradually in the 1980s and applied in the 1990s.

However, as far as this work is concerned, much emphasis has been given on the theoretical framework developed during the 1980s and 1990s and CSR is construed as 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 (WBCSD 1998: 3)³⁸.

Corporate Social Reporting:

It is after the World War II and the inflationary period that the goals of corporate sector have been modified in concomitance with the changing business environment. 1970s onwards the goals of corporate sector have included several social responsibilities such as consumer satisfaction, compliance with government regulations and other social norms. Hence, the perspective of accounting as a tool for measuring profit has been widened to accommodate also an appraisal of an entity's performance in its overall perspectives. Thus the necessity to develop the accounting techniques for bringing about transparency in corporate social performance prompted the development of the concept of corporate social accounting that includes social reporting. In India also, the echo of the above development in accounting has created a ripple particularly, following Sachar committee report (Sachar 1978)³⁹ in early eighties.

³⁷ Weick, K. (1977), Educational Organisations as Loosely Coupled Systems, *Administrative Science Quarterly*, 21(1), 1-19.

³⁸ WBCSD, World Business Council for Sustainable Development (1998), *Corporate Social Responsibility*. Geneva: WBCSD Publications.

³⁹ Sachar (1978), Sachar Justice R, *Report of the High Powered Expert Committee on Companies and MRTP Acts*, p 95, Govt. of India New Delhi.

Various authors in various ways have perceived "Social Accounting". National Association of Accountants (1974)⁴⁰ defines social accounting as "*Identification, measurement, monitoring and reporting of the social and economic effects of an institution on society.*" This definition is inclusive and thus specifies the actual steps that are essential for accounting for social and economic effects of corporate body on society. The users of the information are not specified and thus the importance of the information loses its significance. Gambling (1974)⁴¹ while shaping the meaning of social accounting maintains that, "*This does not differ significantly from the techniques needed to account for the financial activities themselves, which is not surprising because 'social accounting' is simply an extension of public concern about the firm beyond the traditional area of financial honesty. The concerns are various; fair employment practices, pollution control, workers' safety, customer service, fair advertising are a few of them*". Ralph W Estes (1976)⁴² while defining social accounting as "*The measurement and reporting, internal or external, of information concerning the impact of an entity and its activities on society*" points out that social responsibility accounting must cover most of the social aspects of the firm which are to be measured and reported, be the performance internal or external. Some of the social performances are tangential to the main aspect of the entity and others are non-tangential.

Ramanathan (1976)⁴³ emphasizes more on the steps essential for accounting social performance of an entity and reporting thereof to the concerned groups in accordance with their requirements. According to him "*Social Accounting is the process of selecting performance variable, measures, measurement procedures and systematically development of information useful for evaluating the firm's social performance to concern groups both within and outside the firm*". From the above

⁴⁰ National Association of Accountants (1974), Accounting for Corporate Social Performance: Measurement of Costs of Social Actions, *Management Accounting*, September, 2-8.

⁴¹ Trevor Gambling, Accounting to Society In Trevor Gambling(1974) ed. *Current Issues in Accounting*, 136- 144, Heritage Publishers, New Delhi, India.

⁴² Ralph W Estes ed.(1976), *Corporate Social Accounting*, New York : Wiley Interscience, New York. USA.

⁴³ Ramanathan K. (1976), Towards a theory of Corporate Social Accounting, *The Accounting Review*, 51(3), 511-531.

definitions the following are extracted as the objectives of social accounting:

- To identify and measure the periodic net social contribution of an individual firm.
- To determine whether an individual firm's strategies and practices are in commensuration with the social norms.
- To facilitate information disclosure about the firm to the users.

Corporate social reporting is further defined as the process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large (Gray et al. 1987, p 9)⁴⁴. It seems that the theoretical development in the field of social accounting has created a lot of scope for identification (Ramanathan), measurement (Spicer 1978)⁴⁵ and reporting (Gray et al.)⁴⁶ of corporate social performance. But the practice as revealed in the literature is yet to touch the expected mark of professionalism. The challenge to bring in practicability in social accounting still remains as an unaccomplished job before the academic and practicing accountants (Panda 1991)⁴⁷.

Over recent years there have been increasing social, political and economic pressures on corporate management to pay enhanced attention to wider social and environmental consequences of corporate activities in the decision making process. These pressures, in turn have resulted in a number of proposals aimed at the development and application of better methods of measuring, evaluating and controlling the social performance of corporate enterprise with respect to issues of social concern. One such proposal urges accounting profession to develop capacity to measure and report various aspect of social performance.

⁴⁴ Gray, R., D. Owen and K. Maunders (1987), *Corporate Social Reporting: Accounting and Accountability*, London: Prentice Hall.

⁴⁵ Spicer, B. H. (1978), Investors, Corporate Social Performance and Information Disclosure: An Empirical Study. *Accounting Review*, 53 (January), 94-111.

⁴⁶ Ibid.

⁴⁷ Panda N M (1991), Practicability of Corporate Social Accounting, *Research Bulletin*, 10(2) , 63-71.

Corporate Social Responsibility in India:

The Indian corporations seemingly have an inactive participation in social responsibility. Very few companies are taking corporate decisions in regard to social responsibility. Inaugurating the National Conference and Annual Session 2007 of the Confederation of Indian Industry (CII), the Prime Minister of India Dr. Manmohan Singh invited corporate India to be a partner in making India a more humane and just society. The Prime Minister's speech indicates the expected social responsibilities of the Indian corporate firms that include healthy respect for workers and investment in their welfare, corporate social responsibility, employment to the less privileged, resistance for excessive remuneration and discouragement towards conspicuous consumption, and investment in people and their skills. The Prime Minister urged upon the industry to desist from non competitive behaviour, invest in environment-friendly technologies, promote enterprise and innovation, fight corruption at all levels and promote socially responsible media and finance socially responsible advertising (PM's Address at CII Annual General Meeting 2007).

Dr. Singh has said that though corporate entity's primary responsibility is to its shareholders and to its employees yet the businesses need to be globally competitive and to win this race, businesses must work in a harmonious environment, an environment in which all citizens feel equally involved in the processes of economic growth; an environment in which each citizen sees hope for a better future for him and for his or her children. He further added, "In a modern, democratic society, business must realize its wider social responsibility. The time has come for the better off sections of our society – not just in organized industry but in all walks of life- to understand the need to make our growth process more inclusive; to eschew conspicuous consumption; to save more and waste less; to care for those who are less privileged and less well off; to be role models of probity, moderation and charity. Indian industry must, therefore rise to the challenge of making our growth processes both efficient and inclusive. This is our endeavour in government. It will have

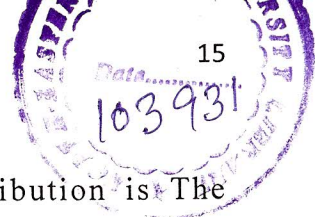
to be yours too and I seek your partnership in making a success of this giant national enterprise.” The speech of the Prime Minister Dr Singh, who happens to be a monetary economist of repute with in depth knowledge about the economics of a firm, clearly reveals the nature and importance of CSR in India. Adding to it some scholars (Reed, 1998⁴⁸; Mohan, 2001⁴⁹; Brown, 2001⁵⁰) are of the view that social responsibility in India has a long tradition. A large number of projects and schemes under social responsibility have been under taken not only by the leading corporate houses but also by many average companies. Some of the schemes are undertaken directly by the companies and some in partnership mode. While large corporate houses have been involved in corporate philanthropy and community development projects for years, it is difficult to assess how ‘socially responsible’ they have been, either in terms of the resources that they have made available or in terms of the manner in which they have used them. Historically, firms have generally been rather tight-lipped about these matters, just as they have been about other aspects of their operations. There have been calls for corporations to be more forthcoming with such information, in particular to undertake social audits, and shape decisions at the level of various stakeholders, since at least the sixties. The first serious social audit by an Indian company was conducted in 1980 by TISCO. Until early nineties, few have had followed TISCO’s lead. But as per the recent surveys many more companies operating in various industries have come forward to embrace CSR and CSR reporting practice. Some noted ones are the following.

Tata Steel is the pioneer of corporate social responsibility and reporting in India. It has committed to provide quality life to its employees at work and at home. In its vision statement it has declared that it will constantly strive to improve the quality of life of the communities it serves through excellence in all facets of its activities. The company has received a number of awards in recognition of its CSR

⁴⁸ Reed D (1998), Corporate Social Responsibility and Development in India, *Journal of Human Values*, 4(2), 201-217.

⁴⁹ Mohan, A. (2001), Corporate Citizenship: Perspectives from India, *Journal of Corporate Citizenship*, Spring, (1), 107-117.

⁵⁰ Brown, K. (2001), *Corporate Social Responsibility: Perceptions of Indian business*. London: Centre for Social Markets, UK.



efforts. The most recent testimony to Tata Steel's contribution is The Energy and Resources Institute (TERI) award conferred on it in recognition of corporate leadership for good corporate citizenship and sustainable initiatives. Tata Steel is the only Indian company to have pledged to translate the Global Compact principles on human rights, labour and environment into practice and was conferred the Global Business Coalition Award for Business Excellence in the Community for HIV/AIDS.

Recently the Indian Cement Industry, a potentially high polluter and the country's biggest excise payer after tobacco, has been praised for its efforts to reduce air pollution and energy use in manufacturing cement. A recent survey conducted for cement industry reveals that this sector has taken initiatives to reduce air pollution and is today the most energy efficient cement sector in the world after Japan (GRP's assessment). The GRP also found that emission of carbon dioxide which leads to global warming from Indian cement companies are significantly lower than Europe and America.

The Life Insurance Corporation of India has even undertaken the mission to ensure and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns and by rendering resources for economic development. The values on which LIC operates are caring and courtesy, initiative and innovation, integrity and transparency, quality and returns, participation and relationship, trustworthiness and reliability. Likewise Infosys has committed to spend up to 1.5% of its profit after tax annually for social community services (education, women's project, health care, community development etc.) and Wipro through Azim Premji Foundation is spreading elementary education in various parts of India. Dabur has a vision of being a company dedicated to the health and well being of every household. In 1993, Dabur India Ltd. established Sustainable Development Society "SUNDESH", a registered voluntary organization, integrating various aspects such as health, literacy, employment and empowerment. Through this, the company addresses the most deprived

and weaker sections of the society including women, children illiterates, and the unemployed. Bajaj Auto's has an environmental management system, which is an integral part of the overall management system at Bajaj Auto's Aurangabad plant, was awarded ISO 14001 certification in 1997.

In India, social reporting is at an infant stage. Few companies like ITC (Indian Tobacco Company), Godrej, Tata and ONGC (Oil and Natural Gas Company) are putting in efforts to protect the environment. Corporate social responsibility and ethical practices are immensely important for all the business enterprises operating in the society. Adoption of social reporting practices by corporations will help them in bringing accountability transparency and ethical code of conduct. The Indian enterprises need to do a lot in this direction so as to ensure the overall growth of the Indian economy.

The present Study:

In the above backdrop when a search is made into the existing literature on the subject a good number of studies have come to view on CSR theories and approaches which have been developed by taking into consideration the realities of the western world. The theories have also been empirically examined in the context of those developed nations. When it comes to CSR practice in India or empirical examination of those theories of western origin, literature is scanty. Several pertinent questions that obviously arise in the mind of any researcher interested in the subject still remain unanswered. Some of the interesting questions are; Whether the Indian managers are willing to accept those Western theories on CSR? If yes, to what extent? What are the outcomes of CSR the Indian managers perceive to occur? To what extent do the Indian managers favour governmental regulations to govern corporate social behaviour? What criteria do the Indian managers opt to select a social project or activity? Do the Indian companies communicate their socially responsible behaviour to various stakeholders? If yes how is the communication spread across the spectrum of CSR themes? How is this communication influencing the Indian investors in the capital market?

Whether the social performance and disclosure of a company is associated with its economic performance? The present study makes an attempt to answer the above questions. The present study is structured to answer the above questions as follows: in the following chapter (Chapter-II) the theoretical frameworks that have been used as the basis of this study are described, followed by the section dealing with objective and methodology (Chapter -III) wherein a presentation is made about the hypothesis, sample design and different variables used. The application to the sample of this background and the methodology has driven us to the data findings and analysis presented in chapter- IV, which have allowed us to draw some important conclusions and hint at the implications that are developed in the last chapter of this study.