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Corporate Social Responsibility: Ethical and Economic Considerations

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ABSTRACT

This research paper focuses on the constant conflict of businesses working towards corporate social responsibility with ethical or economic considerations. Hence, it reviews the government, markets and social norms as the pressure behind corporate social responsibility. This brings us to the basic rationale behind CSR and to whom these firms bring those CSR schemes. The paper also analyses various companies' perspectives on CSR and their expenditures on these schemes. Further, it talks about CSR as a byproduct of the ethical practices of the firms, which follows up to consider the kinds of CSR that are important to be taken care of. This leads to the origin of CSR, as the result of labour conflicts in the 19th century, which elaborates on the current situation in the three pressures which discipline companies into a certain social behaviour.

Keywords: Corporate Social Responsibility, Ethics, Government, Market, Social Norms

1. INTRODUCTION

Corporate social responsibility in today's day and age has become a tag for virtue signalling but it can be used effectively. The World Bank says, "CSR is the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large." (Shimshack). CSR is a serious agenda to be investigated, looking at the actual impact during the COVID pandemic and the wars happening in the world. The main agenda is to find out the reason behind CSR, businesses do it to gain profit only or for the welfare of society also. This research paper will explore how businesses exploit corporate social responsibility for both social welfare and marketing purposes.

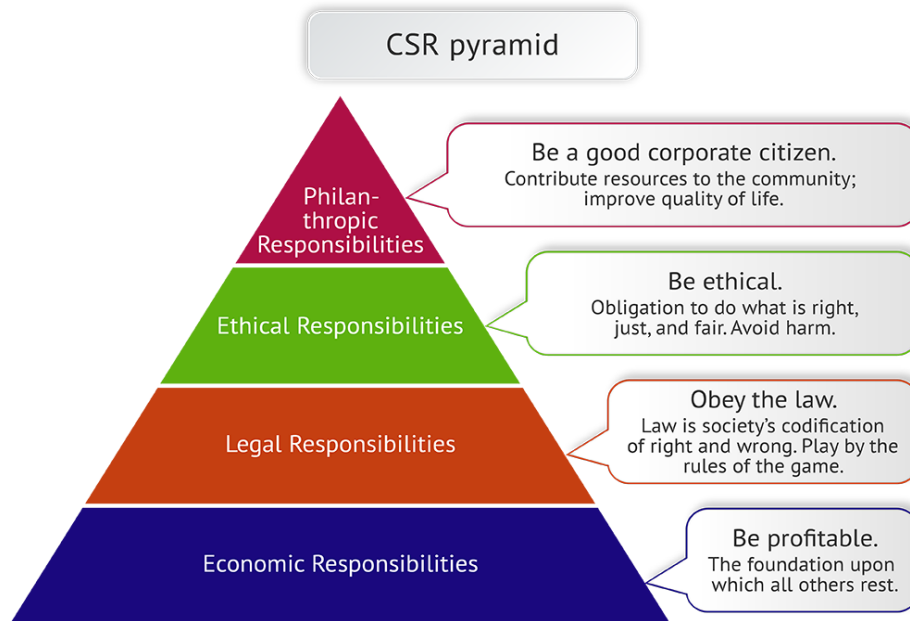
According to (SCHOENMAKER) the reasons for companies to engage in CSR are identified in three types of pressure which might discipline companies into certain social behaviours:

1. Markets: employees in labour markets and/or consumers in the product markets;
2. Politics: NGOs or civil society in private politics and/or governments in public politics; and
3. Social norms: commonly accepted norms, views and values in a community. (environment thing)

Corporate social responsibility relating to the economic mindset of the businesses is usually done to persuade people. This is divided into two parts: Motivation of employees and convincing consumers. Businesses doing CSR, which supports the employees, usually motivate them to work more efficiently and stay longer in the company. Examples of this would be helping employees during any emergencies like health problems at home. Just as Tata Group spent Rs 2,500 crore for Covid relief of their employees till now (Times of India). Moreover, it enhances the skills of the workers in the company. They learn cross-functional collaboration which results in better communication within departments. In terms of product markets, products based on environmentally friendly raw materials are mostly preferred by consumers. This has a positive influence on consumers and improves client retention for the company. In addition to that, the company costs also reduce over time, when for example the products are made from recycled raw materials. One more example could be the use of Epson Europe's in-office dry papermaking system.

Companies working in collaboration with government agencies for the welfare of society are usually influenced by social norms being cultural-cognitive forces, social normative and regulative factors. The organisations linked to the government are supposed to work ethically to bring a positive impact. These days the third sector companies have brought bigger changes to society and worked upon the SDGs. As a sample of these high-performance companies, a study has covered 04 third-sector institutions, all of them focused on the development of socially responsible practices, being also institutions that contribute to the fulfilment of some of the 17 Sustainable Development Goals for the transformation of the world, established by the United Nations. In the case of ADRA, one of its activities is to grant loans to women entrepreneurs with a high poverty rate, ... About the bookstores... bibliographic material fulfils the function of offering books and talks with information that helps to preserve good health and integral well-being.

Regarding regular basic education and university educational institutions, these support the fulfilment of the fourth sustainable development objective, focusing on providing quality education, having obtained certification from governmental entities that guarantee compliance with the minimum requirements of educational quality. (Cabrera)



Carroll, Lewis: "Carroll's CSR Pyramid" 2023

This is the Carroll's Pyramid, made by the famous British author Lewis Carroll. He explains the various responsibilities that CSR takes forward. The pyramid explains that the main aim is to be profitable and only then will we be able to work on our other responsibilities. This paper aims to prove that the greatest good for the greatest number of people is trumps economic perspective because the society is at the end of the day there are the consumers with whom the companies are working.

2. THE RATIONALE BEHIND CSR

Corporate social responsibility holds the power to empower a huge amount of people. It can bring people out of the vicious cycle of poverty, reduce the alarming pollution and help a country grow economically. It is an initiative and a strategic tool in the business field to achieve a high reputation. Employees prefer to contribute to work they find meaningful. Consumers are influenced by ethical companies more than employees. Companies highlight their social responsibility through CSR and seek their self-interest to enhance long-term value and risk reduction. It also adds to the reputation of the firms to the government and society, to achieve corporate reputation, a synonym for identity, image, goodwill, esteem and prestige.

Social responsibility has the most indirect link to profit. Companies nowadays have only one aim, which is profit. However, CSR is only profitable when done based on serving society. Profit is the byproduct, not the end goal. Merck Pharmaceuticals made a vaccine for cancer treatment and distributed its patent to its competitors so that it reaches the entire world (TEDx Talks). As mentioned, Merck focused on the well-being of the consumers and better innovations daily. Looking at that his profits have reached high limits. His company is the 4th largest pharmaceutical brand on earth because of his passion for providing medicine (Burke). Companies like these, focusing on the purpose, are earning more profit. This is one of the primary rationales behind CSR. It might be earning profit in the end, but it starts with the ethical responsibilities of the companies.

Firms implying social responsibility in collaboration with ESGs are earning big value in the markets. Trucost is one of the companies who are working for the environment and earn from the same. The company analyses the natural capital risks and opportunities across thousands of corporate value chains. They work by putting cost on the natural capital, for businesses to understand and avoid environmental damage. They focus on every aspect of the climate: carbon use, water scarcity, land use, pollutants, and waste. Companies like these can bring a change in the decaying environment. They are working towards bringing a change by consulting businesses one by one, to give them clarity to sustainability issues. The company was established in 2000 and currently has a net worth of 131.51 million USD (Yahoo Finance). It is a forever-growing company as it is working for society. The main agenda is usually earning a profit, but this company earns it without even aiming for it, this is the rationale behind it.

Henceforth, companies are working towards this goal, looking at India, it is mandatory for companies that earn 5 crore INR profit, have a net worth of 500 crore INR or have an annual turnover of 1000 crore INR, to spend 2 per cent of their three-year average annual net profit on corporate social responsibilities (Sharma). The automobile industry here mostly spends more than their prescribed amount. The Indian branch of the brands: Maruti Suzuki, Tata Motors Limited, Hero Motocorp. Limited, and M&M, have an exponentially increasing rate of CSR in various development sectors such as Health, Sanitation and Poverty Eradication; Environment Sustainability; Development of underprivileged sections; R&D; National Heritage, Arts & Culture; etc. These Companies went from a 100% actual expenditure of the prescribed amount to 135.28%. (Anand) Therefore, these companies have earned a high corporate reputation, consumer loyalty and employee stability. If their motive had been just following the law or earning profit from the same, the extra amount would not have been put into such a pure cause. These companies make India the world's fourth-largest automobile sector. In 2022 India became the world's third largest vehicle market, surpassing Japan and Germany (Anand 53).

Year	Name of company	Prescribed amount (in crore)	Actual Expenditure (in crore)	% of Actual exp Toward prescribed amount
2014-15	Hero Motocorp. Limited	44.04	44.04	100.00%
	Tata Motors Limited	0	18.51	-
	M&M	83.03	83.24	100.25%
	Maruti Suzuki	50.11	50.11	100.00%
2015-16	Hero Motocorp. Limited	58.18	65	111.72%
	Tata Motors Limited	0	20.56	-
	M&M	84.95	85.9	101.12%
	Maruti Suzuki	65.4	78.46	119.97%
2016-17	Hero Motocorp. Limited	70.62	85.13	120.55%
	Tata Motors Limited	0	25.94	-
	M&M	83.3	83.57	100.32%
	Maruti Suzuki	87.2	89.5	102.64%
2017-18	Hero Motocorp. Limited	82.6	84.34	102.11%
	Tata Motors Limited	0	21.44	-
	M&M	81.27	81.98	100.87%
	Maruti Suzuki	120.83	125.08	103.52%
2018-19	Hero Motocorp. Limited	93.72	101.95	108.78%
	Tata Motors Limited	0	22.21	-
	M&M	93.37	93.5	100.14%
	Maruti Suzuki	153.5	154.07	100.37%
2019-20	Hero Motocorp. Limited	96.55	130.61	135.28%
	Tata Motors Limited	0	22.87	-
	M&M	106.56	126.6	118.81%
	Maruti Suzuki	166.56	168.21	100.99%

This gives clarity to corporate and environmental growth due to the focus on effective and ethical social responsibility. The overall increase in the actual expenditure has a highly positive impact on the improvements in CSR nowadays.

3. CSR AS A BYPRODUCT OF ETHICAL PRACTICES

Companies nowadays give respect to CSR to influence consumers and do marketing. The Competitive spirit to earn the best has driven them to even do CSR without actually giving much attention to the subject. Honestly, one-third of the 11% of the annual global GDP to be used up to damage the environment is being paid by the 3000 large companies (Green). Instead, they could use it to become eco-friendly, which could have saved their money and given them a better corporate reputation. Strategic CSR will create more demand for their products and increase their profits. Strategic CSR can create and enhance opportunities, manage risks and change the game of a business. These schemes are effective, impactful and free of cost.

The negative impact of the climate due to this has also led to these organisations, communities, and citizens with the need to change viewing corporate social responsibility (CSR) as a voluntary luxury to a necessity. By midcentury, climate challenges are expected to seriously disrupt business-as-usual and change the way citizens live their lives around the world. The uncountable risks that the youth will face are undeniable limited clean water, and expensive and unreliable energy are just a few to name. Climate changes also challenge increases in risks to insurers and insurance costs for organisers and individuals. In 2013 more than 500 businesses, including giants like General Motors, Nike, Starbucks, Levi Strauss, and Unilever, signed a Climate Declaration that urged U.S. policymakers to capture economic opportunities associated with addressing climate change. A variety of other initiatives exist to enlist companies in the fight against climate change including the Global Compact's Caring for Climate, the World Wildlife Federation's Climate Savers, and the Climate Group's RE100 initiative, part of the World Economic Forum (Allen and Craig). These organisations spark young firms to initiate a sustainable future. All businesses need to understand and delve into the spectrum of climate sustainability, and as mentioned above just by recycling, reducing and reusing they can improve the current situation for a better future.

Companies are promising the same every decade but are not able to achieve their goals. They just mislead their consumers or rather greenwash them. Danone is one of the companies that promised to reduce plastic waste by about 20 to 30 % in 2011, but they couldn't, and no one knew. Now in 2014 they again committed to achieve a rate of 25% of recycled PET by 2020. In 2025 they are now committing to use 100% recycled packing (DW Planet A). And it goes on they just either post it to manipulate the consumer's perspective or they are procrastinating the scheme as they do not consider recycling their priority at all. This is one of the most common reasons for climate depletion, but these schemes persuade the consumers in real and the government as well.

4. ORIGIN

This brings us to delve into the origin of CSR as a whole. The overall scheme of CSR started with the continuous labour conflicts at the end of the 19th century as a result of the Industrial Revolution, when the model artisan work was changed to one mass production, revealing a series of social problems that forced the companies to take measures that could be considered as the origin of CSR (Rodriguez). The protesters forced the companies to consider the social aspects which led to far-reaching institutional initiatives such as the Universal Declaration of Human Rights, which took place in 1948. These developments start with not one, but various reasons, CSR as a whole was initiated because of numerous areas namely climate, labour conflicts, consumer rights and many more. In the end, the intention behind the creation of the CSR laws included all the factors from legal, moral, social and physical elements and hence the laws were announced and the voices were heard.

Starting, as a movement and a law, CSR has come a long way. Now, not only for the government but also for the companies, CSR has taken a crucial turn to enhance any firm and increase the demand for its products. If we only talk about the reasons for the firms to take care of their social responsibility, it is identified in the three types of pressures stated in the introduction which might discipline companies into certain social behaviours including Government, market, and social norms.

5. GOVERNMENT

The laws and regulations of our governing body have set basic requirements for these big firms, which massively include corporate social responsibility, which has a big role in the amount of CSR done by the companies. There are various laws, deciding on when companies need to start doing mandatory CSR, the types of CSR that are to be done with the minimum percentage yearly and more. Different countries have different laws for their citizens looking at the location, climate, behaviour of the people, culture and more. Following the laws has a positive impact on the consumers, as this shows the companies are ethical and might not have anything illegal as they take the government laws seriously.

Moreover, government firms themselves have huge CSR schemes to help in the development of the society and these are more impactful as the prime motto of the governing body is to take care of the society and its citizens. Hence, this benevolence transfers to a few wholly-owned subsidiary firms. For example, the ICICI Bank of India has zero burning villages, solar power in rural schools, ecological and wildlife conservation in forests and water harvesting potential (ICICI Bank). These start with small underdeveloped towns in India, following the bigger crowd, which as a whole empowers the citizens of the country. This then inspires the companies to enhance their methods of CSR to grow their company and help society.

6. MARKET

Non-government-based companies aim at the consumers in the product market and employees in the labour market for CSR, as mentioned in the introduction. Both the consumers and the labour are influenced by these schemes; hence the companies should try to fulfil all the requirements based on CSR without a mandate by the governing body. Most of the schemes based on employees focus on motivating them to increase efficiency and persuade them to stay longer in the company i.e. employee retention. Schemes made for the consumers focus on consumer loyalty, attracting more consumers, and more.

A few of the recent schemes for working staff are menstrual leaves for women. This helps a large number of them to be efficient in their work and not lose out on their jobs or their salaries. Companies like Zomato, Byju's, Swiggy and FlyMyBiz are a few of them. Zomato believes that giving more comfort to its employees will enhance their efficiency and productivity (Singh). Moreover, as mentioned above Marks and Spencer provides food to its employees free of cost. The company ensures good safety and health of their employees to benefit themselves by the employee's productivity and motivation.

Corporate social responsibility for consumers is enhancing day by day. LG is one of the companies that are working towards a positive impact on their consumers. The Life's Good campaign 'LG digital class' provides digital education to those from a less fortunate background, in the government schools of India (Life's Good). These schemes will influence other schools to also adopt this firm's products, moreover, this shows the ethical behaviour of the firm motivating the top-notch buyers to also consider these companies, in the end increasing demand.

7. SOCIAL NORMS

Companies and the government here both need to focus on some of the norms in the society, to bring equality and unity in the community. It will become important for CSR to take cognizance of pressuring issues like gender inequality. World Economic Forum states that it might take 134 years, and 5 generations to achieve full gender parity at the current pace (Madhukalya). Hence, all the firms from non-profit to profit organisations, including the government have to take charge and enhance the pace to help the world develop sooner. As the companies can reach to a bigger mass market, including the international consumers, they can influence them to help in the development of the society. The government can only work towards their citizens; hence, this should be a collaborative approach by the companies and the government to work towards a better society and a better world.

8. CONCLUSION

Corporate social responsibility has a variety of aspects to be looked upon by different kinds of firms. The approach of the profit-based organisations the non-profit-based organizations and the government are way too different. There are only a few profit-based organisations that work for the community without a profit motive, apart from those most of them focus on the return on their investments, namely increase in demand, consumer loyalty, etc. The companies working on a not-for-profit motive have a high demand and reputation amongst the consumers like the TATA group. So, the purpose behind the business is not supposed to be profit, but consumer satisfaction, yet the companies have the opposite perspective as analysed in the paper.

The start of corporate social responsibility might be the labour conflicts but the development of the same continued to work towards the consumer demand. The basic corporate social responsibility might be looked into by the government and the markets but the minute details and necessities are taken care of by the bigger companies only. In the end, economic considerations are mostly seen amongst the companies and only a few companies look into the ethical considerations.

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