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LINKAGE BETWEEN BUSINESS AND SOCIETY THROUGH CORPORATE SOCIAL RESPONSIBILITY

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Abstract

The changing scenario of contemporary world bring forth Corporate Social Responsibility (CSR) as a wicked mean for the sustainable development with society welfare-oriented attitude. Earlier the main objective of organizations was profit maximization but now in current scenario organizations have realize that trust building is viable in society for their better future. In the era of LPG (Liberalization, Privatization, Globalization) where cut-throat competition diminishes ethical norms and values, CSR is must to sensitize the Industries and Corporate sector. The organizations are mostly pursuing CSR either for maintaining their benevolence or to be in market race by following Triple bottom line phenomena. But new mandatory CSR provision of Company Act 2013 in India is endeavour to society-oriented approach to industrial development. Corporate Social Responsibility practices are highly influenced by the corporate governance system of the companies. Within the framework of corporate governance, companies are fortified to promote transparency and accountability in their dealings so as to ensure the proper utilization of mandatory budgetary provisions of CSR. This research paper emphasis on the contribution of CSR towards business and society. The paper will further discuss the perception of community towards CSR which exemplifies the sense of responsibility towards the up-gradation of society and in balancing the environment together with the development of the nation.

Keywords: 'Corporate Governance, Corporate Social Responsibility, Triple bottom line and Sustainability'.

INTRODUCTION

Corporate Social Responsibility (CSR) is a corporate strategy that encourages companies to operate in ways that benefit society and the environment rather than damaging them. It has gained widespread acceptance in recent decades and is now on the agenda of almost every firm. CSR helps to improve a lot of societal aspects as well as enhance firms' reputation. At present, business and society are intertwined. One cannot exist without another. Business cannot thrive without society, and business, which is the economy, is essential to society's survival. With the aid of the industrial revolution and globalisation, business has grown into a global enterprise that today transcends international boundaries through LPG (Liberalization, Privatization and Globalization). The businesses have evolved from being local business, such as hunting, and handicraft, to be a global business. Before money came into being, transactions were conducted via a system of give and take, which is commonly known as the barter system. The concept of Corporate social responsibility also rests on the exchange system where business has a responsibility to give something back to the society as they are using resources from the society and the licence for operating in the society is also granted by them. So, it is an utmost responsibility of the corporates to do socially responsible behaviour in the society. The relationship between business and society has increasingly been shaped by the concept of corporate social responsibility (CSR). Through CSR, businesses aim to create value for their stakeholders while also promoting the well-being of society and the environment (Freeman, 1984). The rising issues of climate change has also created a pressure on companies to integrate sustainability in their organizational strategies by following the concept of triple bottom line (Ubreziova, Kozakova & Malejcikova, 2015). The

benefits of CSR for businesses include improved reputation, increased customer loyalty, and better employee morale. CSR can also lead to reduced operational costs and increased innovation. For society, CSR can lead to improved social and environmental conditions, increased economic development, and greater accountability from businesses.

LITERATURE REVIEW

Corporate social responsibility (CSR) initiatives have become increasingly common among businesses, with many companies seeking to improve their social and environmental performance while also contributing to sustainable development (Carroll, 1991). CSR also lead to reduce operational cost and increase innovation (Porter & Kramer, 2006). In addition, CSR can lead to improved social and environmental conditions with increased economic development and greater accountability from businesses (McWilliams & Siegel, 2001). Community support for CSR initiatives can improve a company's reputation and increase customer loyalty, leading to greater financial performance through transparency (Bhattacharya & Sen, 2004) and (Sen & Bhattacharya, 2001). Despite the potential benefits of CSR, there is debate about its effectiveness and impact on business performance. Some studies have found a positive relationship between CSR and organizational financial performance (Orlitzky, Schmidt, & Rynes, 2003; Margolis & Walsh, 2003) and (Sharma & Singh, 2022), while others have found no relationship or even a negative relationship (McWilliams & Siegel, 2001) and (Luo & Bhattacharya, 2009). Furthermore, the effectiveness of CSR may depend on various factors, such as the industry, size of the firm and the nature of the CSR initiatives (Maignan & Ferrell, 2004; Turker, 2009). Several theories have been proposed to explain the relationship between CSR and business performance. As stakeholder

theory suggests that businesses should take into account the interests of all stakeholders, not just shareholders and that CSR can lead to long-term value creation for all stakeholders (Freeman, 1984). Resource-based theory suggests that CSR can be a source of competitive advantage by providing valuable resources such as intangible assets and social capital (Barney, 1991). Institutional theory suggests that businesses engage in CSR to conform to societal norms and expectations and to gain legitimacy and social acceptance (DiMaggio & Powell, 1983). However, negative perceptions of CSR initiatives can also impact business performance with negative publicity (Klein, Smith, & Johnstone, 2007) and (Luo & Bhattacharya, 2009). Social identity theory of CSR suggests that individuals identify with and align themselves with groups based on shared social identities such as geographic location or cultural background, and that these identities can influence attitudes towards CSR (Tajfel & Turner, 1979). The perception of community towards CSR initiatives can have a significant impact on business performance. Therefore, the method of participatory approach (Baruah, 2017) is designed to work with the interest and concern of the society.

Objective of the Study: The study aims to analyse the perception of community towards the Corporate Social Responsibility activities undertaken by the companies for the welfare and development of the society.

Research Methodology: Descriptive research design has been adopted to analyses the perception of the community with simple random technique to collect the data from the community. The sample size of 400 is taken into consideration on the basis of Bartlett, Kotrlik and Higgins (2001) formula. The pilot survey has also carried out on 100 respondents. The structured questionnaire is prepared based on the study of (Galbreath, 2010) and (Buehm, 2003). The value of Cronbach alpha is 0.877 which confirms the reliability of the questionnaire.

Analysis and Discussion: From the data of 400 respondents, 220 are male and 180 are female. Maximum numbers of respondents are of age group 30 to 49. Majority of the respondents are aware about the term CSR and the activities undertaken by the organisations under CSR. Further, the demographic profile is given below for reference.

Table 1: Demographic Profile

Gender	Frequency	Cumulative Percent
Male	220	55
Female	180	100
Age	Frequency	Cumulative Percent
Less than 19	31	7.8
20-29	140	42.8
30-49	172	85.8
and above 50	57	100
Occupation	Frequency	Cumulative Percent
Service Class	102	25.5
Professional	66	42.0
Business Class	17	46.3
Others	215	100
Awareness of CSR	Frequency	Cumulative Percent
Yes	312	78
No	88	100

Corporate Social Responsibility is a broad phenomenon which comprises of several responsibilities for the welfare of the society under its umbrella. Further, Exploratory Factor Analysis (EFA) through SPSS has been applied to ascertain and categories the various activities of CSR. Under EFA, Principal Component Factor Analysis is implied with varimax rotation. The Kaiser-Meyer-Olkin (KMO) value for the measurement of sample adequacy is 0.853. The Bartlett's test of Sphericity is also significant at 0.05 with chi-square value 9545.891 at 496 degree of freedom (Malhotra & Dash, 2017). Items with cross-loading and with communality less than 0.5 have been dropped out. Finally, 32 items are taken for the factor analysis. During Principal Component Analysis, 7 factors are extracted with an eigenvalue >1.0 but two factors having only one item each are dropped and left with only 5 factors through fixed extraction method (refer Table 2). Each extracted factor represents the set of CSR activities undertaken by the companies.

Table 2: Extracted Factors Through Principal Component Analysis

Component	Initial Eigenvalues			Extraction Sum of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	Variance Percent	Cumulative Percent	Total	Variance Percent	Cumulative Percent	Total	Variance Percent	Cumulative Percent
1	7.748	24.213	24.213	7.748	24.213	24.213	5.085	15.890	15.890
2	4.585	14.328	38.541	4.585	14.328	38.541	4.196	13.112	29.002
3	3.494	10.917	49.458	3.494	10.917	49.458	3.932	12.288	41.290
4	2.227	6.959	56.417	2.227	6.959	56.417	3.504	10.951	52.241
5	2.127	6.647	63.065	2.127	6.647	63.065	3.464	10.824	63.065

The cumulative percentage of variance (63.065%) is above 60% with initial eigenvalue >1.0 (Malhotra & Dash, 2017) is well accepted. The result of extracted factor is again enhanced

by using Orthogonal Rotation Method and the percent of variance explained remains unaffected (refer Table 3).

Table 3: Rotated Component Matrix

Component									
1		2		3		4		5	
Variable/Loading		Variable/Loading		Variable/Loading		Variable/Loading		Variable/Loading	
V25	.781	V6	.915	V36	.836	V9	.793	V16	.791
V27	.779	V1	.901	V37	.832	V8	.754	V14	.723
V24	.774	V5	.892	V38	.732	V11	.725	V15	.707
V28	.763	V3	.872	V33	.713	V7	.720	V18	.697
V26	.761	V2	.604	V34	.709	V10	.704	V13	.682
V29	.720			V39	.645	V11	.663	V17	.681
V30	.695			V35	.644				
V22	.677								

The extracted factors are named on the basis of Carroll theory given under pyramid of social responsibility. Carroll pyramid distinguishes the responsibility in order, like economic responsibility, legal responsibility, ethical responsibility and Discretionary responsibility. According to the model, businesses should strive to fulfil each of these responsibilities in order to be socially responsible (Carroll, 1991). The five factors named as Philanthropic Responsibility (Factor 1) is the highest level of responsibility in Archie B. Carroll's pyramid of corporate social responsibility. It refers to a company's voluntary actions and contributions to support and improve the well-being of society, beyond what is required by law or expected by stakeholders.

Philanthropic responsibility involves giving back to the community in a variety of ways, such as supporting charitable causes, contributing to social and environmental programs, and investing in research and development for social betterment. By engaging in philanthropic activities, companies can improve their reputation, build positive relationships with stakeholders, and create a positive impact on society. Carroll (1991) argues that philanthropic responsibility is an important aspect of corporate social responsibility because it demonstrates a company's commitment to social betterment and enhances its legitimacy in the eyes of stakeholders.

Economic Responsibility (Factor 2) has become increasingly important for businesses in the modern era (Smith, 2021). Economic responsibility requires companies to consider the interests of their stakeholders in their decision-making. Companies should strive to balance the interests and make decisions that are in the best interests of all stakeholders, not just the shareholders or top executives (Carroll, 1991).

Environmental Responsibility (Factor 3) of corporations involves taking steps to protect and preserve the natural environment, while also meeting business goals and objectives. This includes reducing environmental footprint, engaging in environmental stewardship, and considering environmental factors in product design and supply chain management. Companies have a responsibility to be environmentally responsible in their business practices (Wagner, 2020).

Legal Responsibility (Factor 4) state that companies should

follow all the required labour law and practices towards welfare of the community as the licence for operating the business is granted by the society (Carroll, 1991).

Ethical Responsibility (Factor 5) adhere to code of conduct that guide their behaviour and decision-making processes. These codes often outline the values and principles that are important to the company, such as honesty, fairness and respect for human rights (Carroll, 1991). One of the key frameworks for understanding the ethical responsibility is the stakeholder theory which states that companies should not prioritize the interests of shareholders or executives over the needs and rights of other stakeholders (Johnson, 2020). Further, factor mean is calculated to know the degree of importance of factors (refer Table 4)

Table 4: Mean of Extracted Factors

Extracted Factors	Mean Value	Standard Deviation
Factor-1: Philanthropic Responsibility	4.2494	0.64319
Factor-2: Economic Responsibility	3.8155	0.88045
Factor-3: Environmental Responsibility	3.5643	0.62704
Factor-4: Legal Responsibility	4.0846	0.58072
Factor-5: Ethical Responsibility	4.1229	0.53747

On the basis of calculated mean and standard deviation, it is ascertain that Factor-1 of Philanthropic responsibility is majorly pursued by companies for the welfare of the society which supports (Deigh, Farquhar, Palazzo & Siano, 2016). Bhatia & Chander, 2014 also focused the two main area of CSR disclosure by the companies followed by Factor-5: Ethical Responsibility which signifies that companies are giving preferences to norms and culture of community by proper transparency and accountability. Next is Factor-4: Legal Responsibility, then Factor-2: Economic Responsibility and at last to Factor-3: Environmental Responsibility which indicates that companies are less concern about the environmental issues.

Corporate Social Performance requires that a firm's social responsibility be assessed, the social issue it must address be identified and a response philosophy be chosen. Community support for CSR initiatives can improve a company's approach towards the welfare means for the society.

CONCLUSION AND SUGGESTIONS

India's journey of business and industrial development has experienced many challenges towards poor resource management, inhuman treatment and corrupt practices, where a number of examples became historic stain like; Jharia, Bhopal and Sonbhara incidents. Earlier, the government was whole sole responsible for the development of the community but the government alone cannot uplift the downtrodden by making policies and practices, so now there is a responsibility of the corporate also to come forward for the development of the community either by themselves or by the help of non-governmental organisations (NGO). Government now became the regulator rather than a performer. Social welfare and community services now become the job of corporate as the new Company Act 2013, having some glimpse for socially responsible corporate management. Compulsory provision of Corporate Social Responsibility for giant industries may be an effective measure for sustainable, responsible and society centric business. A company's sense of responsibility towards the People, Planet and Profit creates Shared Values for the betterment of community, environment and industry but again, there are lot of challenges to make social welfare instinct in corporate to pursue honest Corporate Social Responsibility practices. It is also crucial issue how to enact CSR for social, environmental and ethical responsibilities or as an advertisement policy only or a creative solution of local problems in global loom. But the participatory approach from the community, government and the corporates can bring out a magnificent change in the overall development of the nation through sustainable means and corporate social responsibility.

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