

## **CORPORATE SOCIAL RESPONSIBILITY IN 21<sup>ST</sup> CENTURY**

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### **ABSTRACT**

In this paper attempts have been made to study corporate social responsibility (CSR) in the light of changed societal needs. In India CSR has always occupied an important role amongst business leaders and academicians. But it is not a static concept; it keeps on changing its form and direction from time to time. Here, the concept has been studied from societal point of view. Corporate impact has now crossed its traditional limits. Now business as a sub system of society affects each and every aspect of society including social and individual behavior. The study has focused on corporate practices that are affecting social and individual behavior. On derived practices Factor analysis was used to find out the broad area where improvements are needed to eliminate negative social impact. The paper provides a direction to the researchers of 21<sup>st</sup> century. It is the responsibility of research fraternity to come up with innovative ideas to deal with behavioral impacts of business.

Keywords – Social behavior, Individual behavior, corporate practices.

## **INTRODUCTION**

The term Corporate Social Responsibility has gained worldwide attention and is one of the most concerned themes for the business community and academicians of the 21<sup>st</sup> century. In spite of being so popular there is a lack of proper understanding as to what actually CSR is? Since its inception, different authors and scholars have defined it differently as per their own researches and findings. The focus of these definitions also varies from time to time. A thorough review of literature revealed that corporate impact and societal expectations are the key factors behind the emergence of corporate social responsibility. CSR refers to companies taking responsibilities for their impact on society. Corporate houses have intervened in so many areas of social life, so they must assume responsibility for the same (John Morrison, 2012). In the modern scenario the expectations of society have changed a lot. Powerful position of business, huge resource base and increasing interference in the social life are some of the factors behind these changed societal expectations. Society decides certain do(s) and don't(s) for the business. Some corporate practices are welcomed by the society whereas some are criticized. Here in this paper attempts have been made to gain insight into society's view point on business. Responsibility is a very inner feeling. It cannot be shown or successfully practiced without having inner zeal for it. CSR initiatives that are taken just to satisfy the legal requirements or to remain at par with the competitors always lack social satisfaction. In order to add social satisfaction to the results of social initiatives it is essential consider social needs while taking these initiatives. To identify the social needs a pilot study was conducted on 100 respondents using in-depth interview and group discussion techniques. Result of the study revealed that societal expectations have changed a lot. Now society does not consider business just as a means to receive employment or products/services. Business has become a social unit. It is now expected to develop and maintain ethical standards in the society, bring peace and happiness to the society. During the process of pilot study certain corporate practices have been identified that are adversely affecting the social and personal behavior. These practices are damaging the ethical standards of the society. To make the study precise and specific, the paper has been restricted to the analysis of these practices only.

## **REVIEW OF LITERATURE**

The objectives of this research paper have been derived after review of literature and pilot survey. It has been found that there is a close connection between societal expectations and CSR. It is high time to understand CSR from societal viewpoint. It is not the discretionary power of the company to choose the social initiatives. What constitutes a social responsibility of business is a decision made by society (Jaun L. Martinez and Ana Aguero, 2005). Social expectations could be very vast and unattainable, but responsibility of the business cannot be so vast and unattainable. Business is responsible only to the extent of its impact. European commission is also agree with the statement that all businesses have a direct responsibility for all their impacts. Corporate houses intervene in so many areas of social life, so they must be responsible towards society and environment (John Morrison, 2012). Thus, CSR refers to companies taking responsibilities for their impact on society in accordance with the societal expectations. Keeping this discussion in view the research objective was framed which is;

“To find out the dimensions of corporate impact that society wants to come under the purview of corporate social responsibility.”

### **RESEARCH METHODOLOGY**

The research design is basically exploratory. The variables have been derived from pilot survey which was then used in the analysis to describe the dimensions of corporate social impact. Primary data were collected from a sample of 300 respondents. A pilot survey was conducted using in depth interview technique and group discussion technique. Pilot survey was done to gain insight into social opinion on corporate impact and their responsibility. Following variables (corporate practices) were derived from pilot study

- Unethical advertisement by corporations
- Fake and false advertising by corporate houses
- Corporate scams
- Poor quality of products and services
- Unsafe products
- Job insecurity
- Irresponsible attitude of companies towards physical and mental health of the employees
- Greed creation in employees
- Work load
- Rivalry practices
- Deceptive practices with employees and customers

After deriving these variables (practices) a questionnaire was framed to carry a research on larger sample. The questionnaire recorded 0.829 Cronbach's alpha value with these items. All the variables were measured on five point Likert scale.

Keeping the research objectives in view Factor Analysis was performed on collected data with following objectives-

- To determine the broad dimension in which companies have more negative impacts
- To reduce the variables to a more manageable size

### **DATA ANALYSIS**

Before applying Factor Analysis it is important to fulfill the data assumptions. It ensures reliable result. Data assumptions for Factor Analysis include

Multicollinearity- an important assumption of factor analysis is that, there should be high correlation among variables. To test multicollinearity, Bartlett's test of sphericity is a test statistic used to test multicollinearity. Bartlett's test of sphericity tests the hypothesis that variables are uncorrelated in the population. A large value of the test statistic will favor the rejection of null hypothesis.

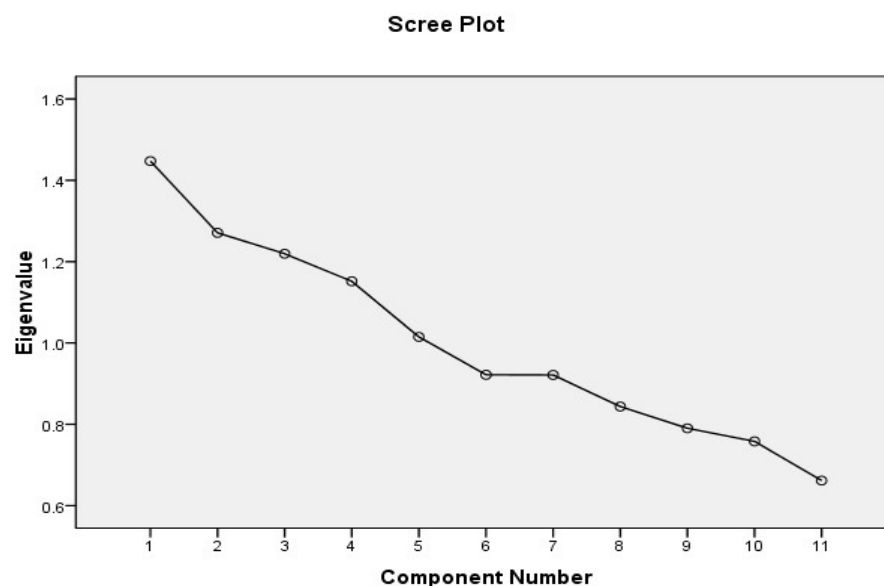
Adequate sample size - it is a thumb rule that number of respondents should be at least five times of numbers of statements in the questionnaire. Total 25 questions were there in the questionnaire, whereas total number of respondents was 300.

To test the adequacy of sample adequacy, Kaiser-Meyer-Olkin value was considered. KMO value also tests the suitability of the test. Small value of KMO statistic (less than 0.5) indicates that the correlation between pairs of variable cannot be explained by other variables and that factor analysis may not be appropriate. Generally, value greater than 0.5 is desirable. High values (between 0.5 and 1.0) indicate Factor analysis is appropriate. In this analysis the value is 0.505.

#### Factor extraction criteria

Eigenvalues – only factors with eigenvalues greater than 0.1 are retained. This value represents the amount of variance associated with the factors. On the basis of above criteria, five factors have been identified, explaining 55% of variance. The percentage variance accounted for by a factor is determined by dividing the associated eigenvalue with the total number of variables and multiplied by 100. Results of Factor Analysis shows that the first factor accounts for  $(1.472/11) \times 100$  or 13.38 percent of the variance of the 11 variables. Second factor accounts for  $(1.272/11) \times 100$  or 11.56 percent of the variance. Third factor accounts for  $(1.200/11) \times 100$  or 10.90 percent of the variance. Forth factor accounts for  $(1.156/11) \times 100$  or 1.51 percent of the variance. Fifth and last factor accounts for  $(1.009/11) \times 100$  or 9.17 percent of variance.

Scree plot - the shape of the plot is used to determining the number of factors. Screen plot is a plot of the eigenvalues against the number of factors in order of extraction. Horizontal axis showing the total number of factors and vertical axis representing the corresponding eigenvalues. There are total five factors with eigenvalue more than 0.1, these are the independent factors.



Communalities- communality is the amount of variance a variable shares with all the other variables being considered. This is also the proportion of variance explained by the common factors. The value must be greater than 0.5. Initial five variables have recorded communalities greater than 0.5, they are the factors.

#### COMMUNALITIES

|          | Initial | Extraction |
|----------|---------|------------|
| VAR00001 | 1.000   | .629       |
| VAR00002 | 1.000   | .614       |
| VAR00003 | 1.000   | .911       |
| VAR00004 | 1.000   | .522       |
| VAR00006 | 1.000   | .516       |
| VAR00009 | 1.000   | .464       |
| VAR00010 | 1.000   | .603       |
| VAR00005 | 1.000   | .411       |
| VAR00007 | 1.000   | .502       |
| VAR00008 | 1.000   | .440       |
| VAR00011 | 1.000   | .493       |

#### INTERPRETATION

Component matrix- Component matrix represents the correlations between factors and variables. It contains coefficients or factor loadings. A factor loading with large absolute value represents that factor and variables are closely related. These values are useful in interpretation of factor analysis.

Rotated component matrix - Rotation leads to simplicity and enhances interpretability. In rotated component matrix only variables with significant loadings are associated with factors. By comparing the rotated component matrix with simple component matrix, it is clear that rotated matrix is simpler to interpret. Four variables are associated with first factor in simple component matrix whereas, in rotated only three variables are related to first factor. Similarly, three variables are associated with factor two, in simple component matrix; whereas, only two variables are associated with factor two in case of rotated component matrix.

**ROTATED COMPONENT MATRIX**

|  | Component          |                         |                       |                      |                  |
|--|--------------------|-------------------------|-----------------------|----------------------|------------------|
|  | Employee treatment | Corporate communication | Operational practices | Product and services | Corporate frauds |
| Work load  | .682               |                         |                       |                      |                  |
| Job insecurity                                   | .616               |                         |                       |                      |                  |
| Irresponsible attitude towards employees' health | .581               |                         |                       |                      |                  |
| Unethical advertisements                         |                    | .775                    |                       |                      |                  |
| Fake advertisements                              |                    | .754                    |                       |                      |                  |
| Rivalry practices                                |                    |                         | .719                  |                      |                  |
| Greed creation                                   |                    |                         | .616                  |                      |                  |
| Product quality                                  |                    |                         |                       | .675                 |                  |
| Unsafe products                                  |                    |                         |                       | .606                 |                  |
| Deceptive practices                              |                    |                         | .417                  | .543                 |                  |
| Corporate scams                                  |                    |                         |                       |                      | .931             |

Interpretations are made by identifying the variables that have large loading on the same factor. In the rotated factor matrix factor one has high coefficient for variable 9 (work load) variable 6 (job insecurity) and variable 7 (irresponsible attitude towards employee's physical and mental health), therefore this factor may be labeled as employee treatment, as all the variables are related to the employees.

Factor two has high loading on variable 1 ( unethical advertisement) and variable 2 ( fake and false advertising), therefore factor two can be named as corporate Communication, as both the variables are related to the communication of corporate sector with society.

Factor three has high loading on variable10 (rivalry practices), variable 8 (greed creation) and variable 11(deceptive practices), all are related to day to day functioning of the companies, therefore can be named as operational practices.

Forth factor can be labeled as product and services, as it has high loading on variables that are related to products and services, that is variable 4 (product quality) and variable 5 ( unsafe products) and variable 11( deceptive practices).

Factor 4 has higher loading on variable 11 than factor 3, thus, variable should be associated with factor 4.

Rotated component matrix indicates that factor five has high loading on variable 3 (corporate scams), it may be named as corporate fraud.

Thus, as per society following are the broad practices which are not taken care of by the business and consequently causing negative social impact.

1. Employee treatment practices ( work load, job security, irresponsible attitude of management)
2. Corporate communication (unethical and fake advertisements)
3. Operational practices ( internal rivalry, greed creation and deceptive practices)
4. Product and service related practices ( product quality and safety, deceptive practices)
5. Corporate fraud (corporate scams)

### **LIMITATIONS**

Scarcity of time, money, expertise and knowledge create hurdles in every research. This work is no exception. Following are the limitations of this work;

- All the variables have been derived from pilot study; there is very little data available on behavioral impact of business.
- The study carries all the limitations of Factor analysis as it is the main tool used for the analysis.

### **CONCLUSION**

The research was aimed at studying societal perspective on corporate impact, as studies shows that it is the social responsibility of business to be responsible for all its impact. Total five factors were extracted from 11 variables. These factors define the broad area where corporate practices are adversely affecting the society. The research also shows that social focus has shifted from traditional impacts to psychological or behavioral impacts. All the variables that have been used in the analysis have social and psychological impacts rather than physical impact.it is notable that CSR is often understood as tool to bring physical, infrastructural and measurable improvements in the society by taking traditional initiatives like building schools and hospitals, providing clean drinking water or taking environment friendly initiatives. But actually CSR is a much broader term. It goes beyond physical changes and can bring psychological and behavioral changes in the society. There are many practices that are causing psychological and behavioral degradation of the society. Society is also now aware of these practices. It is high time to consider these practices and take actions to eliminate their negative impact. There is a need to re define CSR in the light of these practices and their social impact. The situation is alarming. Now research fraternity

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