
UNIT 14 CORPORATE SOCIAL RESPONSIBILITY AND ETHICS

Objectives

When you have studied this unit, you will be able to:

- Understand the concepts of CSR and ethics.
- Explain the evolution of CSR legislation in India with its benefits and drivers.
- Discuss the salient features of The Companies Act 2013 and CSR guidelines under the act.
- Interpret CSR from different ethical viewpoints.

Structure

- 14.1 Introduction
- 14.2 Meaning and Evolution of CSR
- 14.3 Evolution of CSR Legislation in India
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14.1 INTRODUCTION

You may be aware that ethics denote the concepts of right and wrong behaviour in general. In business or corporate terms, ethics is a form of professional behaviour, existing organizational standards, principles, sets of values and norms. In the context of corporate social responsibility (CSR), an ethical business must act responsibly for the betterment of the social system in which it operates even at the cost of profits or other goals of the business. The CSR is an attempt to supplement the government's efforts of equitably delivering the benefits of growth and to engage the corporate sector in inclusive and sustainable development.

Usually the corporate ethics and CSR originates from:

- a. Individuals

- b. Organizational statements, and
- c. Legal obligations.

At the *individual* and *organizational levels*, the CSR is not a novel concept for Indian companies, as several of them have been practicing CSR voluntarily in the form of Philanthropy. However, with the enactment of the Companies Act, 2013 the mandate for CSR has been formally introduced to the Indian companies as a *legal obligation*. Now the corporate sector has accepted the CSR as one of the core functions of management and implementing the CSR programmes across the Indian and multinational companies - both in public and private sectors.

Keeping this in view, this unit will consider the meaning, evolution, legislation, benefits and drivers of CSR, ethics and ethical views / theories *vis-a-vis* CSR.

14.2 MEANING AND EVOLUTION OF CSR

Over the decades, the focus of the companies have shifted from single bottom line approach of profitability to integration of financial, social and environmental concerns in business operations of companies. This transformation, either voluntarily or as a mandatory legal obligation, is the essence of CSR evolution.

The CSR is a strategic business management concept generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line-Approach), while at the same time addressing the expectations of shareholders (UNIDO). Furthermore, the concept implies the need for businesses to go beyond the law to protect the interest of all its stakeholders, such as the environment, their employees, and the communities they operate within (University of Texas, 2018).

Following are some definitions which reflect the evolution of CSR over the decades:

- Obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society – **Horward R Bowen (1950s)**
- Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest - **Keith Davis (1960s)**.
- The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations – **Joseph W. McGuire (1960s)**.
- Three concentric circle definition of CSR - The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function (products, jobs and economic growth). The intermediate circle

encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities (environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury). The outer circle outlines newly emerging and still amorphous responsibilities that businesses should assume to become more broadly involved in actively improving the social environment (poverty and urban blight) – **CED (1970s)**.

- The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time – **Caroll (1979)**.
- The CSR should not be seen as a set of outcomes but as a process that corporations have an obligation to constituent groups in society other than stockholders, and beyond that which is prescribed by law and union contract - **Thomas M Jones (1980s)**.
- An organization's responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that: contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization and implemented in its relations - **ISO 26000 Standards on Social Responsibilities of Organizations (2010)**.

Late 1980s and 1990s saw a quest to widen the concept and go beyond CSR with wider acceptance of the concept of Corporate Social Performance, Stakeholder theory, Business Ethics theory and Corporate Citizenship. The 2000 onwards has been the era of defining the CSR activities, and about legally regulating CSR.

Thus, the concept of CSR has evolved beyond the economic component over the years to encompass employees' satisfaction, work safety, community, environment, responsibility, responsiveness, social, ethical, voluntary and legal obligation aspects. This evolution accepted the fact that CSR involves cost which may not give any direct or measurable economic returns.

The CSR perspectives in selected countries is summarised in Box for your comprehension.

CSR Perspectives in Selected Countries

USA: CSR is about taking personal responsibility for your actions and the impact that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability.
The Netherlands: CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It's about companies endorsing the UN Convention on

Human Rights and the ILO Rights at Work.

Taiwan: CSR is the contribution to the development of natural and human capital, in addition to just making a profit.

Thailand: CSR must be locally relevant and meaningful only if backed up by action.

The Philippines: CSR is about business giving back to society.

Brazil: CSR is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper.

Argentina: CSR is about a corporation's ability to respond to social challenges. It starts with developing good relations with neighbours. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community.

Ghana: CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government.

India: CSR urges businesses to embrace the “triple-bottom-line” approach whereby its financial performance can be harmonized with the expectations of society, the environment and the many stakeholders it interfaces with in a sustainable manner.

Source: World Business Council for Sustainable Development (WBCSD), 2000); MCA, Government of India (2011).

14.3 EVOLUTION OF CSR LEGISLATION IN INDIA

The major developments in the evolution of CSR from a voluntary practice to regulatory mechanism are summarised in Box.

Evolution of CSR in India – Major Developments

- Long tradition of philanthropy and social activities.
- Issuance of CSR Voluntary Guidelines (2009).
 - Ethical functioning
 - Human rights
 - Worker's rights
 - Environmental considerations
 - Stakeholder welfare
- Guidelines on CSR for Central Public Sector Enterprises (2010).
- National Voluntary guidelines of Social, Environmental and Economic

- Responsibilities of Business (2011)
 - Nine principles of CSR based on the ‘apply or explain’ approach.
- Enactment of Section 135 of the Companies Act (2013) to make CSR spending and disclosure mandatory.

National Voluntary Guidelines

The National Voluntary Guidelines (NVGs) on social, environmental and economic responsibilities of business were laid down by the Ministry of Corporate Affairs to help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment (Box).

The Nine Principles of National Voluntary Guidelines

1. Businesses should conduct and govern themselves with ethics, transparency, and accountability.
2. Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycles.
3. Businesses should promote the wellbeing of all the employees.
4. Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
5. Businesses should respect and promote human rights.
6. Business should respect, protect, and make efforts to restore the environment.
7. Businesses when engaged in influencing public and regulatory policy should do so in a responsible manner.
8. Businesses should support inclusive growth and equitable development.
9. Businesses should engage with and provide value to their customers and consumers in a responsible manner.

(Source: Khandelwal, 2011)

The Companies Act 2013 and CSR (Source: www.mca.gov.in)

The Companies Act 2013 and CSR guidelines under the act are briefly summarised below for your comprehension.

The Act: The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the government’s efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country’s development agenda. The Companies in India are governed by Clause 135 of the Companies Act 2013 for performing their CSR activities.

Section 135: Section 135 of the Companies Act 2013 lays down that:

- The companies with an annual turnover of 1,000 crore INR and more, or a net worth of Rs. 500 crore and more, or a net profit of Rs. 5 crore and

more shall constitute a CSR Committee of the Board consisting of 3 or more directors of which one will be an independent director.

- The CSR Committee will be responsible to:
 - i. formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
 - ii. recommend the amount of expenditure to be incurred on the activities referred above; and
 - iii. monitor the CSR policy of the company from time to time.
- The Board of every company shall
 - i. after taking into account the recommendations made by the CSR Committee, approve the CSR Policy for the company and disclose contents of such Policy in its report and place it on the company's website, if any, in such manner as may be prescribed; and
 - ii. ensure that the activities as are included in CSR Policy of the company are undertaken by the company.
- It is also the duty of the Board to ensure that the company spends two percent of the average net profits made by the company in the preceding three financial years and while spending the CSR amount, giving preference to local areas where it operates.
- If the company fails to spend the amount, the Board in its report shall specify the reasons for not spending the same.

Though section 135 makes CSR spending and reporting mandatory, it gives flexibility to the companies to choose the CSR activities from the list of activities that the corporate can potentially undertake.

The CSR Rules, 2014 A set of rules framed under section 135 of the Act, came into force on 1st April, 2014. It lays down rule for the following:

CSR Activities

- The CSR activities taken up by the companies will be as per the stated CSR policy and activities taken up by the company under its normal course of business will be excluded from CSR activities.
- A company can implement the CSR activities approved by the CSR committee either on its own or through a non-profit foundation set up by the company to facilitate this initiative or through an independently registered non-profit organization that has a record of being into such activities for at least three years or in collaboration with other companies.
- The activities undertaken in India will only be considered under the CSR activities.
- Spending on activities that benefit only the employees of the company, also known as self-serving expenditure will not be considered as CSR spending.

- The companies are free to spend on capacity building of their employees but the expenditure should not be more than 5 percent of the total CSR expenditure in any particular year.
- Contribution to political parties will also not be considered as CSR activity.
- The income generated from the CSR activities should be credited back to the community or CSR corpus and this would be over and above the mandatory 2% of profit.

CSR Committee

- The companies which are bound by the CSR clause are required to constitute a CSR committee of the Board consisting of 3 or more directors of which one will be an independent director.
- A private company with only two directors on its Board will have only two directors in the CSR Committee and in case of foreign company, the Committee will have at least two persons of which one will be an authorized person residing in India and the other will be nominated by the foreign company.

CSR Policy

- The CSR policy of a company will include:
 - List of projects or programmes within the Schedule VII of the Act which the company will undertake, along with the implementation schedules and other modalities.
 - Monitoring process of these programmes.
- The policy will also specify that the surplus generated from the CSR programmes will not be a part of the business profit of the company.

CSR Expenditure

- All expenses including contribution to the corpus for programmes relating to CSR activities approved by the board will be included as CSR activities provided, they are in conformity with the activities which fall within the purview of Schedule VII of the Act.
- The rules also provide a format for the board report on CSR which includes reasons for spending of less than 2 % of the average net profits of previous three years and a responsibility statement stating that the company's CSR policy, implementation and monitoring mechanism are in accordance with the CSR objectives. The report is signed by the CEO, MD, or Director of the company.

Display of CSR Activities on its Website

- The Board of Directors shall disclose the content of the CSR policy in its report as well as on the company's website as per the particulars specified.

Schedule VII The Schedule VII of the Companies Act provides a list of

activities which can be included by companies in their CSR policies where the CSR spending can be done. These activities relate to:

1. Eradicating extreme hunger and poverty;
2. Promotion of education;
3. Promoting gender equality and empowering women;
4. Reducing child mortality and improving maternal health;
5. Combating human immuno deficiency virus, acquired immune deficiency syndrome, malaria, and other diseases;
6. Ensuring environmental sustainability;
7. Employment enhancing vocational skills;
8. Social business projects;
9. Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities, and women; and
10. Such other matters as may be prescribed

14.4 BENEFITS AND DRIVERS OF CSR

Benefits of CSR

The CSR offers multiple benefits to firms, including long-term self-interest (in the form of higher profit), enhanced public image, and greater stakeholder interest (Davis, 1973). As per CII (2013), CSR is becoming increasingly important for businesses due to the following benefits:

- **Communities provide the license to operate:** The CSR behaviour of corporate is not just driven by their values but are also influenced by the stakeholders like government, investors, customers and community. Today's corporate understands that the license to operate in any particular area is not just given by the government but also by the communities that get impacted by the activities of these companies. A strong CSR programme provides the companies with the license to operate and to maintain the trust of the local community.
- **Attracting and retaining employees:** The CSR interventions that help the employees to participate give them a sense of belongingness to the company. Good CSR initiatives can attract employees to the company and give them the incentive to remain motivated and committed to the company.
- **Communities as suppliers:** There are instances wherein as a part of CSR activities, the communities have been incorporated into the supply chain to enhance their livelihood. Such initiatives have helped in increasing their incomes and ensuring the companies with a steady and secure supply chain.

- **Enhancing corporate reputation:** When the companies position themselves as responsible corporate citizens, it creates good will and a positive image, thereby helping them to enhance their brand image in the market.

Drivers of CSR

According to the KPMG (2011) survey, the top ten drivers motivating the corporations to engage in CSR are:

1. Economic considerations
2. Ethical considerations
3. Innovation and learning
4. Employee motivation
5. Risk management or risk reduction
6. Access to capital or increased shareholder value
7. Reputation or brand
8. Market position or share
9. Strengthened supplier relationships
10. Cost saving

Building a positive brand image, government regulations, alleviation of environmental issues, survival and growth, employee satisfaction and consumer awareness are other drivers of CSR for various companies.

It is now to the discussion on Ethics related to CSR that we will turn in the next section.

Before we proceed, please complete activities 1 & 2.

Activity 1 (Visit and Discussion): Visit a nearby corporate company's CSR department and find out various CSR projects started by them. Compare them with Schedule VII activities mentioned in the above section. Write your observations on compliance.

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Activity 2 (Visit and Discussion): In continuation of the Activity 1, discuss the benefits of CSR to the company. Compare their response with the benefits discussed in the above section and write your observations.

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14.5 ETHICS IN THE CONTEXT OF CSR

Ethics in the context of CSR can be defined as a set of moral reactions or principles that serve as a guide for individual or organization's actions / activities related to CSR. Ethics is about reasoning and is important to corporate companies as it allows them to make rational decisions about appropriate CSR programmes. Ethics considers what is right and wrong about the ways companies take-up CSR programmes. Unlike some of the management functions you have read in earlier units, the ethical questions cannot be solely realistic, but are based on moral priorities which can be discussed and debated. If we undertake CSR programmes solely based on our feelings (e.g. stating '*I don't like legal obligations in the way of implementing CSR programmes*') these cannot be properly debated as it is merely an expression of opinion. If however, we state that something is '*morally right or wrong*' we need to be able to support that with reasoned arguments that justifies these views. Further, not only should these be reasoned but they should be applicable consistently in different CSR contexts.

Below we will consider the different ethical theories or views, particularly in their application to CSR. However, it is worth firstly briefly discussing the following types of ethics that we may be exposed to in our day-to-day lives:

1. Personal ethics
2. Professional ethics
3. Organisational ethics

Personal Ethics

Individuals working in corporate sector will have their own personal views on what is right or wrong. When we discuss different ethical theories below, we are likely to be drawn to one or more of these more strongly than others. We can see this within corporate sector, many employees might find spending on CSR morally acceptable, whereas few others do not. Despite our personal ethical views on CSR sometimes we need to abide by other ethical codes, which may differ from our personal ethics.

Professional Ethics

Professional ethics are those accepted codes of practice held by a particular group of people or professions. For example, doctors swear an oath on joining their profession, which can be interpreted as the ethical or moral principles by which the practice of their profession is governed across the country. Unlike doctors, management professionals have no universal and

enforceable code of conduct. However, individual companies may write and enforce managerial ethics / corporate codes / value statements. These are a set of principles and rules dictated usually by upper management that define what is right and what is wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of CSR job when a conflict of values is presented. These set out the ethical view of the profession and should overtake any personal ethical viewpoints if they conflict with these statements while taking up CSR activities.

Organisational Ethics

Some organisations or companies may also have ethical or moral principles. Sometimes these might be referred to as organisational ‘values’ or social responsibilities. For some companies, these can be very important if these are part of what makes them unique or different to other companies offering similar services. For example, Tata Motors’ CSR Mission states that “*To be a responsible corporate citizen by driving inclusive growth with social equity, strengthening sustainable development and an active participant in nation building process*”. The CSR at Tata Motors is underpinned by ‘More from Less for More’ ethical philosophy which implies striving to achieve greater impacts, outcomes and outputs from CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Tata Motors would expect their employees to support organisational ethical views, regardless of their personal ethical perspectives related to CSR.

Before we proceed, please complete activities 3 & 4.

Activity 3 (Discussion): Visit a nearby CSR department of a company or an NGO handling CSR projects and discuss about conflicting personal, professional and organizational ethics related to CSR work. How do they handle those conflicts? Compare their responses to the discussion given in the section above and write your observations:

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Activity 4 (Review): Browse the website of any corporate company having an ethical business policy. Write your findings on the following:

- (a) What is the company's ethical policy?

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- (b) Why do business ethics matter to the company?

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- (c) Approach to improve business ethics (e.g. transparency, communication etc)

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- (d) Actions to improve business ethics (e.g. standards, social audit etc)

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- (e) Any other observation:

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14.6 ETHICAL VIEWS OR THEORIES

There are differing ethical views or theories distinguished by moral philosophers which could apply to business organizations as well while undertaking CSR activities. Some of these are contrasting positions, which might lead to markedly different positions about what is acceptable and what is not acceptable in business. The following three views / theories are widely described positions when considering business and CSR.

1. Contractarian view
2. Utilitarianism / Consequentialism view
3. Deontology view

Contractarian View

The key principle of this view is: '*Morality is based on agreement*'

This view suggests that being moral is in your own self business interest and agreements. By showing consideration for the CSR developmental activities, we are really behaving in a way that is for our own business sake. Part of these arguments suggest that only corporate companies are truly able to make business contracts, and as poor communities cannot, then corporate companies only need to treat poor communities effectively. This moral position suggests that using social system resources for business benefit and *vice versa* is acceptable. (Box).

CSR by Suguna Foods *vis-a-vis* Contractarian View

Suguna Foods is India's largest poultry enterprise with Rs. 8700+ crore turnover, which covers over 42,000 farmers from 8,000 + villages in 18 Indian States. Suguna's pioneering efforts in contract poultry farming helped create thousands of rural entrepreneurs who share the growth successfully. "Poultry Integration" introduced and pioneered by Suguna in the country has energized the livelihoods of farmers in rural India.

CSR Activities of Suguna

The following are the major CSR activities of Suguna group (Source: CSR Suguna Foods 2020-21):

- **Community & Infrastructural Support:** Providing education and training on scientific poultry production, poultry farming, poultry breeder management, hatchery and incubation techniques, feed manufacturing and disease control measures through Suguna Institute of Poultry Management, an educational institution functioning under the aegis of Suguna Foundation.
- **Health Care & Sanitation:** Contributing to various charitable causes that touch the underprivileged in the villages nearby by providing eggs,

milk to the Orphanages, Anganwadis and Primary schools at free of cost. Engaging with Government bodies/ Establishments / Gram panchayats to make the neighboring communities healthier by organizing health camps, providing the essential materials for protection during COVID- 19 pandemic.

- **Environmental Sustainability:** Making a positive difference to Environment and contribute its share towards the social cause of betterment of society including the area in which Company operates by donating saplings and planting trees.
- **The Contractarian ethical view** might explain how an individual person might be treated differently by Suguna Company, both legally and in terms of accepted approaches. For the company an individual could be:
 - A farmer who supplies raw corn for poultry feed preparation
 - A contract farmer who sign an agreement to rear poultry birds for a cost
 - A consumer who buys Suguna chicken and egg products
 - A CSR beneficiary of Suguna's foundation (mostly related to poultry production).

An individual person is same in all above situations, but the view of the person's value changes depending on which situation the person is from the perspective of Suguna company. From Contractarian ethical view, the majority of CSR activities of Suguna are related to poultry which is the business focus of the Suguna. This suggests that being moral is in Suguna's own self business interest as well.

Utilitarianism / Consequentialism View

The key principle of this view is: '*Morality is about maximising business and community well-being'*

John Stuart Mill's contributed greatly to this view of ethics. He said that "actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness". This theory belongs to a general category called utilitarianism. At its core, this theory underscores the importance of utility. Every action is based on a particular goal and outcomes.

The aim of this view is to maximise the benefits to the community and to always attempt to bring about the best possible consequences from our business actions, taking into account all those affected by the decision. Utilitarianism holds that the most ethical choice is the one that will produce the greatest good for the greatest number. It is also the most common approach to moral reasoning used in business because of the way in which it accounts for costs and benefits. However, because we cannot predict the future, it's difficult to know with certainty whether the consequences of our actions will be good or bad. This is one of the limitations of utilitarianism.

The Uniliver's CSR programme is an example of how utilitarianism can be applied (Box).

CSR by Uniliver *vis-a-vis* Utilitarianism View

Companies are entities created to make profits and please shareholders. An ethical dilemma ensues when the company is forced to make a decision to give back to the community or satisfy the needs of the shareholders. The investors or shareholders have only one thing in mind and that is to earn a profit through the money that they invested. However, utilitarianism dictates that the correct action is the one that can create the "*greatest happiness altogether*". Thus, the company must learn to give back to the community and spend money in activities that does not generate a profit.

A good example is the CSR programme launched by Uniliver, a multinational company which sells household products worldwide. A CSR programme is deemed counterproductive because it requires the use of corporate funds to finance something that has no direct bearing on the profitability of the company. But Uniliver demonstrated that there is a way to handle the conflict that exists between the business aspect of handling corporations and the need to give back to the community. Uniliver was able to prove that the application of utilitarianism can benefit the organization and the community.

In the CSR programme Uniliver hired thousands of Indian women to sell their products. This programme was initiated in a region that is so remote it is not practical to send sales representatives in the area. It is a dramatic demonstration of utilitarianism. In this example the agent has achieved the greatest good because the agent was able to blend together CSR and the need to increase revenue. Thus, there is a way to satisfy the requirements of business ethics while at the same time maintaining a sound economic base. It erases the fear that an ethical way of doing business can drive a company to bankruptcy.

Analysis: The CSR programme of Uniliver is the best example of how utilitarianism can be applied in a real-world setting. In the said programme, Uniliver benefited from helping others. In a normal way of doing things, helping people requires sacrifice on the part of the helper. In this case the company risked very little to accomplish much. Consider for instance the reaction of one of the beneficiaries who remarked that "*she now commands respect in the village and it is enough to stand on my own two feet*". Without a doubt the earnings are minuscule but it is enough for women who are so poor that they are dependent on their husbands for survival.

Utilitarianism has to be interpreted correctly because a mere overview of the theory can provide a defective understanding of the said ethical theory. The problem lies in the fact that John Stuart Mill used happiness as a measuring stick to determine the appropriateness of a particular action. It has to be clarified that the end goal is not just to attain happiness but to reach a state where the majority are happy. At the same time the goal includes the need to

achieve noble character.

Uniliver's CSR programme is a perfect example of how to apply utilitarianism. It is an action that benefited not only the company but also thousands of destitute women. It is not just the pursuit of happiness but the creation of a noble character. The company representatives who went there to initiate the project and the beneficiaries who now understand the meaning of independence experienced a transformation in character. The corporate leaders are happy that they can help curb poverty but the women are ecstatic that they can have control over their destiny.

Conclusion: Utilitarianism is difficult to apply because it requires not only the consideration of the majority but also the attainment of noble character. If it is difficult to accomplish this goal on a personal basis, imagine the difficulty if applied in a corporate setting. But the CSR programme of Unilever is a good starting point because it provides a blueprint that other companies can emulate. Unilever was able to prove that helping others need not be disadvantageous for the company and their shareholders. The said CSR programme is a good example that doing the right thing can lead to long-term growth and sustainability.

(Source: Studycorgi, 2020)

Deontology View

The key principle of this view is: "*morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action*".

Unlike consequentialism, deontological ethics are concerned with what people do, not the consequences of their actions. The key principles are:

- Do the right thing because it is the right thing to do
- Avoid doing wrong things because they are wrong.

This philosophical position believes that you cannot justify an immoral action by showing that it produced good consequences (whereas consequentialism would argue there is no such thing as a moral or immoral action). Thus, people have a duty to act according to the rights and wrongs of the act, regardless of the consequences. This view is most famously associated with the 18th Century philosopher Immanuel Kant. In comparison to Consequentialists who would consider what things are good and then identify the right actions to achieve that, Deontologists would first consider the right actions and then proceed from there.

The India's CSR policy is summarised from Utilitarian and Deontology View Points in Box.

India's CSR Policy vis-a-vis Utilitarian and Deontology View Points

India became the first country to introduce a mandatory CSR policy under the Companies Act (GOI, 2013). Most companies engage in some form of CSR.

There are arguments not to make CSR mandatory (by few companies) and counter arguments to make such activities mandatory (by social activists and environment protectors).

The compulsory CSR is ethical from Utilitarian perspective as it benefits the greater good with more resources, multiple actors in development and integration of financial, social and environmental concerns in business operations of companies – popularly known as Triple Bottom Line (TBL).

Deontology ethical view states that companies have duties/responsibilities to specific stakeholders, and it is the motivations towards these stakeholders that hold more considerable significance than the actual consequences. Likewise, a government must consider their duties and responsibilities towards their citizens before addressing legal declarations. Many deontologists argue that one of the government's primary responsibilities is to protect and enforce the laws; nevertheless, whether the law is ethical or not is still a very controversial debate. In summary, the Deontology perspective contended that mandatory CSR is unethical because a government infringes on its citizens' rights.

In conclusion, mandatory corporate social responsibility can be ethical and unethical. It depends on an individual or government's moral values as one cannot claim that one ethical framework is more reliable than the other.

(Source: Jain, 2020)

Before we proceed, please complete activity 5.

Activity 5 (Review of Literature): Review the internet literature on the three ethical views / theories. Compare them with the discussion given in the above section and write the outcome in the following table:

Ethical Views / Theories	Key Principle	Position towards Business	Position towards CSR
Contractarian			
Utilitarianism / Consequentialism			
Deontology			

14.7 CASE STUDY: TATA MOTORS LIMITED AND CSR

Tata Motors Limited (TML), a USD 44 billion organisation, is a leading global automobile manufacturer of cars, utility vehicles, pick-ups, trucks and buses. In this case study is presented under the following three parts for your comprehension:

1. CSR policy of Tata Motors

2. Reactive CSR Programme Strategy of TML During Covid 19
3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs
1. **Tata Motors Corporate Social Responsibility (CSR) Policy 2021-2022**

As an integral part of our commitment to Good Corporate Citizenship, we at TATA Motors believe in actively assisting in the improvement of the quality of life of the people in the communities, giving preference to local areas around our business operations. We shall continue to relentlessly strive in our endeavour of nation building, sustainable development, accelerated inclusive growth and social equity.

The Tata group constitutes a global force not only for doing good business, but being in the business of doing good for society. We shall strategically integrate the shouldering of our Social Responsibility with our pursuit of Business Excellence. Towards achieving long-term stakeholder value creation, TATA Motors shall always continue to respect the interests of and be responsive towards its key stakeholders - the communities, especially those from socially and economically backward groups, the underprivileged, marginalized and most vulnerable groups; focused on *inter alia* the Scheduled Castes and Scheduled Tribes, Persons with Disability, Women and the society at large.

In our CSR journey towards achieving human development and excellence, we shall endeavor to deploy TATA Group CSR Programmes and drive Affirmative Action (AA) agenda and other international development goals like Sustainable Development Goals (SDGs), in line with Schedule VII of The Companies Act, 2013 as recommended by the CSR Committee of the Board and approved by the Board from time to time.

In order to leverage the demographic dividend of our country, Company's CSR efforts shall focus on Health, Education, Employability and Environment interventions for relevant target groups, ensuring diversity and giving preference to needy and deserving communities inhabiting urban and semi urban India. Company shall also develop a CSR annual action plan covering details of the programme, manner of execution, modality of utilization, monitoring and reporting mechanism, and impact assessment, wherever applicable.

The corpus to be spent by TATA Motors on CSR shall include at least 2% of the average net profits of its India Operations for preceding three financial years. Any surplus arising out of the CSR projects or programs or activities shall not form part of business profits of the Company. CSR Policy implementation shall be periodically reviewed and monitored by a two tiered Governance Structure comprising of Tier I – Board and CSR Committee of the Board, and Tier II - CSR Team comprising of Corporate Office, Manufacturing Plants and Commercial Offices.

CSR at Tata Motors shall be underpinned by '*More from Less for More*' philosophy which implies striving to achieve greater impacts, outcomes

and outputs from our CSR projects and programmes by judicious investment and utilization of financial and human resources, engaging in like-minded stakeholder partnerships for higher outreach benefitting more lives. Company shall disburse milestones linked payment to the CSR implementing partners.

We shall continue to nurture a vibrant culture of volunteering in our aspiration to leverage our core competencies and managerial, technological capabilities for CSR. We shall strive to bring innovation to our CSR initiatives and optimize their effectiveness while seeking to create a measurable impact of our CSR activities.

2. Reactive CSR Programme Strategy of TML During Covid 19

The Adversity and What TML did differently in 2020-21: Even as the business sector in India, particularly the auto sector, was recovering from the slowdown of previous years, the gravest adversity of our times, in the form of pandemic, disrupted the very way we lived. It disrupted the Education, Skilling, Health and Employment sectors all over the world. Schools were shut, students were confined to their home and there was no certainty of continuity in sight. Skilling institutes were closed, threatening the vast potential of youth to go untapped, forcing ‘practical training’ that involves “work with hands” and “learning by doing” to take a backseat. The focus of the entire health sector shrunk to battling Covid.

Adversity Rewires: The current year and Covid-19 brought unprecedented and unforeseen challenges in all aspects of human life, globally. In navigating the challenges the TML CSR team, its partners and most importantly the community not only demonstrated resilience but also unexpected creativity and spontaneity, relinquishing well-worn paths to embrace a gratifying level of empowerment, which not only led to projects staying well on track but also the dramatic scaling up of some initiatives.

Aspirations Accelerate: Partnerships, sustainability, scalability and technology have been the bedrock of TML’s CSR reactive programmes. In the early days of the lockdown, it became evident that TML’s core tenet of building sustainability into its programmes and emphasis on greater community ownership had sufficiently prepared communities to shoulder greater responsibility with handholding from the CSR team. A reactive or rewired process of working allowed a range of initiatives to take on new dimensions and scale.

Outcomes Soar: Rather than be constrained by the challenges of Covid, the ability to leverage technology, harness resources and work with partners propelled outcomes in multiple programmes and initiatives to levels higher than anticipated during pre-Covid times.

3. Understanding Gap in Development Scenario for CSR Intervention by TML -Tribals Transform from Forest Gatherers to Entrepreneurs

It was a simple berry that helped tribals in the Bhimashankar sub-belt of

Maharashtra near Pune sustain themselves through the lockdown imposed due to Covid-19. The berry, a non-timber forest produce, though has great commercial value as an ingredient in Ayurvedic medicines such as Triphala and in the leather tannery business. The tribals who collected and sold the berries were at the brink of survival during the lockdown. Tata Motors intervened to organise them into a Farmers Producers organisation, comprising 26 Self Help Groups, to not only sustain them through the lockdown but also take a first step towards financial resilience.

Approach: This non-timber forest produce, the Hirda berry grows in abundance in Bhimashankar, where 600 to 700 tonnes of berries is produced every year. Yet, the tribals are not allowed to sell this produce in bulk because of it being designated a common property resource. During the non-farming season they labour to collect the berries to sustain themselves, and then may be forced to make distress sales to feed their families. This compulsion to sell Hirda at abysmally low prices became even more acute during the lockdown. To prevent them from descending into abject poverty and to protect their incomes, Tata Motors encouraged them to create a formal social enterprise, collaborating with Shashwat, a NGO, to help the tribal communities form a Farmers Producer Organisation (FPO). The initiatives were based on Felt Needs and the Support required.

This collective brought together 26 Self-Help Groups and 400 families within it, which was registered with the purpose of engaging in commercial transactions of Non Timber Forest Produce. The members of the FPO have been trained and also assisted in establishing a revolving fund for their working capital needs.

Impact: The FPO sold 25 tonnes of fruits worth Rs 50 lakhs from till March 2021, yielding an assured income of Rs 5000/- per quarter to each farmer and giving their families the ability to sustain themselves through the lockdown. The FPO created by the farmers has earned a revenue of Rs 4.4 lakhs in the FY 2020-21.

Based on its '*More from Less for More*' approach, Tata Motors currently manages 66 per cent of the sales and the beneficiaries are responsible for 34 per cent. Over the next three years or by 2023-24, TML will taper down its contribution to a mere 7 per cent. In the same period, the project will be scaled up to benefit 600 families by next year and will touch 1000 families by FY 2023-24.

14.8 SUMMARY

In this unit we discussed the concept and development of different facets of CSR over the decades. We also discussed the evolution of CSR legislation in India, national voluntary guidelines, how the CSR was made mandatory under The Companies Act 2013, benefits and drivers of CSR. In the second part of the unit we discussed the concept of ethics in the context of CSR *vis-a-vis* personal, professional and organisational ethics. Later we discussed the three major ethical views or theories viz., contractarian, utilitarianism /

consequentialism and deontology views. At the end we discussed the CSR case study of Tata Motors Limited.

14.9 KEYWORDS

Contractarianism: The view that ethical obligations come about from mutual agreements or contracts between people.

CSR: The corporate social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.

Deontology: The key principle of this view is “morality of an action should be based on whether the action itself is right or wrong under a series of rules, rather than based on the consequences of the action”.

National Voluntary Guidelines: The National Voluntary Guidelines on social, environmental and economic responsibilities of business help the corporate to formulate objectives keeping in consideration their impact on stakeholders and environment.

Schedule VII: The Schedule VII of the Companies Act provides a list of activities which can be included by companies in their CSR policies where the CSR spending can be done.

The Companies Act 2013: The act mandated the CSR which is an attempt to supplement the government’s efforts of equitably delivering the benefits of growth and to engage the corporate world with the country’s development agenda.

Triple Bottom Line: The triple-bottom-line (TBL) is a framework that recommends that companies commit to focus on social and environmental concerns along with profits. The TBL posits that instead of one bottom line, there should be three: profit, people, and the planet.

Utilitarianism / Consequentialism: An ethical approach that advocates that it is the outcomes of our actions that are important, rather than what we do. It seeks to maximize the benefits to the greatest number, and to minimize the costs. This weighs up the relative benefits and costs to all those affected by a decision.

14.10 SELF ASSESSMENT QUESTIONS

1. What is meant by CSR? Interpret CSR from different ethical viewpoints.
2. Examine the evolution of CSR legislation in India with its benefits and drivers.
3. Write the National Voluntary Guidelines on social, environmental and economic responsibilities of business

4. Discuss the salient features of The Companies Act 2013 and CSR guidelines.
5. What do you understand by the terms single bottom line and triple bottom line approaches of companies related to CSR?
6. Write any one definition of CSR.
7. Name the components of CSR that have evolved over the years.
8. Write the purpose of Clause 135 of the Companies Act 2013.
9. Write any five drivers motivating the corporations to engage in CSR.
10. What is meant by ethics?
11. Why understanding ethics is important in dealing with business?
12. Write briefly the meaning of the following:
 - a) Personal Ethics:
 - b) Professional Ethics:
 - c) Organisational Ethics:
13. Write the key ethical principle in the following views / theories:
 - a. Contractarian view
 - b. Utilitarian view
 - c. Deontology view
14. How the Contractarian view differ from the Utilitarian view?

14.11 REFERENCES/ FURTHER READINGS

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