

# Chapter 14

## Corporate Social Responsibility: A Manifestation in FDI

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### ABSTRACT

*There is a famous saying “With Great Power Comes Great Responsibility” and speaking of this in terms of a country’s financial position Foreign Direct Investment (FDI) can be considered as a power and CSR as a share of responsibility. Generally the unfurling of CSR is a riveted and intrigued corner of developing country like India. Every business entity is willing to take up more responsibility as it is given lot of respect from various international agencies in the form of FDI and most of the organizations are realizing that more business heights will imply sustained development for social progress. Social innovation is the output derived when FDI and CSR come together leading to development of a nation in various facets. The purpose of the study is to articulate the impact of FDI on CSR activities in Indian context and to analyze the importance of how both FDI and CSR are interdependent and complement each other in various facets, not forgetting the fact that it’s high time for Indian economy to boost up its CSR activities keeping in view the subsequent flow of investments.*

### INTRODUCTION

In recent years, the term Corporate Social Responsibility (CSR) has emerged as an inclusive and global concept to embrace corporate social responsibility, responsiveness, and the entire spectrum of socially beneficial activities of businesses (Archie, 1991). The focus on social performance emphasizes the concern for corporate action and accomplishment in the social sphere. With a performance perspective, it is clear that firms must formulate and implement social goals and programs as well as integrate ethical sensitivity into all decision making, policies, and actions with a results focus.

DOI: 10.4018/978-1-5225-0305-7.ch014

## **Corporate Social Responsibility**

When a section of people were quizzed, regarding *what do they know about Corporate Social Responsibility (CSR)?* Most of them replied that it was something that companies have to deal with. The second question was *what do they generally expect from companies as CSR?* Well, it's a fact that before someone is asked a question, we should have some knowledge about the given question and its solution. So, let's see what is understood by the concept of corporate social responsibility.

### **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

“Corporate social responsibility also referred to as corporate conscience, corporate citizenship or responsible business is a form of corporate self-regulation integrated into a business model where as a part of CSR companies goes beyond profit motive concept and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law also. CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others.”

“*What does it mean for a corporation to be socially responsible?* Academics and practitioners have been striving to establish an agreed-upon definition of this concept for 30 years.” Now articulating about the evolution of CSR in 1960, Keith Davis suggested that social responsibility refers “to business decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.” At about the same time (Eells and Walton, 1961), argued that CSR refers to the “problems that arise when corporate enterprise casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society.”

Today, one cannot pick up a newspaper, magazine or journal without encountering some discussion of the issue, some recent or innovative example of what business is thinking or doing about CSR, or some new conference that is being held in Specific journals, news magazines, books, dictionaries, encyclopedias, and websites. The acronym “CSR” (Corporate Social Responsibility) became popular in the 1960s and has remained a term used indiscriminately by many to cover legal and moral responsibility more narrowly construed.

Observers increasingly note that corporate social responsibility has become a mainstream business activity. Firms are investing ever more resources in public goods provision and many companies reduce negative externalities below levels required by law. More than half of Fortune Global 250 firms now provide regular public statements exclusively discussing CSR, and approximately 10 percent of S&P 100 companies report in detail on CSR activities (Kotler and Lee, 2004a; Baskin and Gordon, 2005). More than one third of large firms have voluntary external certifications for social and environmental standards, and nearly 11 percent of professionally managed US investment was certified as socially responsible. It is estimated that US and European markets have over 2 trillion USD and 300 billion EURO in certifies socially responsible assets. Firms such as IBM, General Motors or Microsoft even inform potential employees about their CSR efforts (Turban and Greening, 1997).

### **Definitions of CSR**

1. The *European Commission* (EC) defines CSR as “the responsibility of enterprises for their impacts on society”. To completely meet their social responsibility, enterprises “should have in place a

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