

## DIPLOMA THESIS ASSIGNMENT

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Economics Policy and Administration  
Business Administration

Thesis title

**Comparing corporate social responsibility environment between EU and India**

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### Objectives of thesis

The thesis aims to study theoretical background of corporate social responsibility (CSR) along with theoretical frameworks in the first part. In the second part, CSR environmental aspects of European Union and India will be studied with reference to the theoretical background. The author will assign quantitative rating to each market for each aspect studied. The study will conclude with adding up scores for each market and reporting on key findings.

### Methodology

The study will be desk research, depending mainly on published literature and statistics. There will be no primary data collection, but broad-based literature analysis. The thesis will mainly use descriptive and comparative methods.

## The proposed extent of the thesis

60 – 80 pages

## Keywords

corporate social responsibility, CSR, Europe, USA, India, CSR environment

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## Recommended information sources

Blumrodt, J., Bryson, D., & Flanagan, J. (2012). European football teams' CSR engagement impacts on customer-based brand equity. *The Journal of Consumer Marketing*, 29(7), 482–493.  
<https://doi.org/10.1108/07363761211274992>

Camilleri, M. A. (2017). Corporate citizenship and social responsibility policies in the United States of America. *Sustainability Accounting, Management and Policy Journal (Print)*, 8(1), 77–93.  
<https://doi.org/10.1108/SAMPJ-05-2016-0023>

LaGore, W., Mahoney, L., & Thorne, L. (2020). An implicit-explicit examination of differences in CSR practices between the USA and Europe. *Society and Business Review*, ahead-of-print(ahead-of-print), 165–187. <https://doi.org/10.1108/SBR-10-2019-0129>

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## Expected date of thesis defence

2021/22 WS – FEM

## The Diploma Thesis Supervisor

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Electronic approval: 29. 11. 2021

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# **Comparing corporate social responsibility environment between EU and India**

## **Abstract**

The report sheds light on the contrast and comparison of the Corporate Social Responsibility activities of Indian and The European Union. The CSR activities of the two countries have been compared and analyzed in various aspects. The involvement of the CSR activities in the social improvement of the countries has been discussed. This report also discusses the accountability of the CSR reporting of India and European Union countries. The rules and regulations of the countries in the aspect of CSR activities have been discussed in this report. The gaps and unethical approaches of the CSR activities of the two countries have been elaborately discussed along with the results of the CSR activities on the countries. The report found out that the overall score of the European Union is 27 and India is 21; this indicates that the overall CSR contribution of the companies of the European Union is better than the Indian companies.

**Keywords:** CSR, legal framework, carbon impact, EU, India.

## **1 Introduction**

### **1.1 Background of the research**

Corporate Social Responsibility (CSR) refers to the business model wherein businesses become more socially accountable by integrating social and environmental issues in the way their business operates and interacts with the stakeholders (Smith & Barstow, 2011). The company improves its position for itself, the stakeholders and the public's opinion. Also called corporate citizenship, it is intended at making the company more conscious about the way it impacts the society, environment, and the economy. This is also called the triple bottom approach (TBA), wherein the company, instead of focusing solely on increasing profit, pay attention to the 3Ps – people, prosperity, and planet (Miller, 2020). While doing so, the company also pays attention to the expectations of the stakeholders of the company and meets their expectations. The concept of CSR goes beyond philanthropic missions that organizations

undertake. Even though these missions and charities can help in improving society, CSR is not confined to these measures alone. Every organization, based on its capacity, makes a certain contribution to society in terms of providing employment opportunities, etc., while ensuring that they are economically viable to undertake such missions.

The CSR scenarios in India and the EU are somehow different; in the EU, the importance of CSR has been realized since the 1990s and is considered a key part of sustainable development strategy. In the year 2011, the CSR concept has evaluated in the EU with the addition of new elements to establish a value-based system for CSR (Martinuzzi et al., 2011). Since 2001, the EU has strongly promoted the significance of CSR, and the policy regarding CSR in the EU also states that "it is a way to sustainable development". On the contrary, in India, the evaluation of CSR tools is placed at four stages. In the first stage, philanthropy and charity were the key drivers of the CSR concept, and at the first stage, from 1850 onwards, the concept of CSR started to change. The second phase was started during the independence movement, and at this stage, trust was established based on the trusteeship concept of Gandhi, and the businesses started trusts for colleges, schools and other scientific institutions. The third phase was conducted in 1960-1980, and at this stage, the private sector came into context, where there were many examples of corporate malpractices by the private sector (Ghanghas, 2018).

Overall, the background of this research is based on the growing importance to analyze the CSR environment that is prevailing in several regions as CSR activities tremendously impacts society as well as the environment. In addition to that, rapid globalization and digitalization have also raised concerns among the public and governments in various parts of the world.

## **1.2 Rationale**

Overall, comparison and contrast of the CSR environment between India and the European Union can prove to be immensely beneficial in terms of recommending improvements in CSR activities for both India and the European Union. The most effective part of this comparison will be based on the identification of the factors that are contributing to CSR issues and ultimately hampering the society and environment.

## 2 Objectives and Methodology

### 2.1 Objectives

The objectives of this research are as follows:

- To analyze the existing CSR environment in India.
- To analyze the existing CSR environment in the European Union
- To compare and contrast the CSR environment between the European Union and India.
- To recommend strategies for improving CSR activities to the European Union and India.

### 2.2 Methodology

The research design that has been used to analyze the CSR environment of the European Union and India is desk research. Desk research is generally focused on collecting data that has been already provided in the other existing resources. Desk research is also known as secondary research, in which the data are collected from secondary sources such as journal articles, news articles, government sites, company reports. The present research considered journals articles, government websites and news articles as key sources for the desk research. There are seven criteria based on which the two countries, EU and India, will be given scores out of 5 based on their performance of CSR related to those criteria. Each criterion will be given a score out of 5 and the comparison of scores between two countries on specific criteria will reflect on which country is better performed on that criteria. The table below shows the six criteria that will measure the performance of two countries regarding CSR.

**TABLE 1 RATING CRITERIA**

| <b>Criteria</b>   | <b>EU score out of 5</b> | <b>India Score out of 5</b> |
|---|--------------------------|-----------------------------|
| Average Percentage of profits spent on CSR                        |                          |                             |
| Total expenditure on CSR (to indicate progress in CSR activities) |                          |                             |

|   |  |  |
|---|--|--|
| Involvement in social improvement (education, employment opportunity) |  |  |
| Involvement in controlling environmental impact (carbon footprint)    |  |  |
| Accountability in CSR reporting                                       |  |  |
| Strictness of regulators  |  |  |
| Gap in actual activities and CSR concern (unethical practices)        |  |  |
| Total Score   |  |  |

The analysis of the collected data is based on thematic analysis, as the analysis and related findings is presented based on themes that are developed on the specified criteria. Analysis of each part also includes some quantitative measures in terms of score allocated to each nation based on the performance of specific criteria related to CSR.

### 3 Literature Review

#### 3.1.1 Business ethics theory

According to Goel and Ramanathan (2014), the business ethics theory of CSR affirms that it is the responsibility of business organizations to look after the concerns of larger groups of stakeholders. The business ethics theory considers CSR as ethical and philanthropic responsibilities rather than considering it as economic and legal responsibilities. The concept of CSR is heavily influenced by business ethics as the entire foundation of business ethics is concerned with social, employee, suppliers, customers, and competitors' obligations. In addition to that, business ethics theory as part of CSR activities helps in ensuring that the customers' interests become an integral part of the company's values.

#### 3.1.2 Triple bottom line

The employees or workers in modern-day workplaces value corporate social tremendously and this indicates that the concept of corporate social responsibility has truly transformed the way businesses operate. According to Carroll (2021), the 1960s proved to be the turning point that

established a relationship between society and business based on massive social movements. The various social contracts represent a set of reciprocal expectations and understandings that successfully characterizes the relationship between major social organizations. One of the most prominent aspects of CSR is that it is perceived differently across different countries, so it is important for global organizations to implement CSR strategies according to geographical and cultural demands. The concept of sustainability is deeply rooted in CSR and it has become the need of the hour to implement CSR activities so that the future of our planet remains safe. The commitment of companies to engage in CSR activities is based on the triple bottom theory that posits firms to measure their environmental and social impact.

### **3.1.3 Stakeholder theory**

According to Randon (2012), CSR is becoming increasingly important in developing countries as the stakeholders are directly impacted by the business activities of the company. The stakeholder theory implies that the interests of the stakeholders determine the way by which an organization behaves. It has been observed that the stakeholders generally identify with the firms and accordingly increase or decrease the number of resources to be put.

## **3.2 CSR legal framework in EU and India**

### **3.2.1 Legal CSR framework of India**

India became the first country to make CSR (corporate social responsibility) mandatory after an amendment was passed related to the Companies Act, 2013 in the year 2014. Businesses in India can successfully invest in various profitable areas such as hunger, poverty, gender equality, and education as a part of CSR compliance. In addition to that, the Ministry of Corporate Affairs in India, after the outbreak of Covid-19, notified that any form of expenditure made by corporate organizations to mitigate the pandemic would be considered valid CSR activities.

### **3.2.2 Legal CSR framework of the European Union**

As per Ayselin Yildiz (2014), Organization that is part of the European Union have to abide by the Corporate Social Responsibility norms. The European Union 27 countries have with age started following the CSR policies and framework to better function in the long run. The report

reveals that they have understood that no organization can function in the long run ignoring CSR and only maximizing profits.

### **3.3 Economics of CSR**

According to Stahel (2016), the 'circular economy' would transform merchandise which is at the last stages of their service life into resources for others, re-circulating in the manufacturing environment and hence reducing waste. As it substitutes manufacture with adequacy: reusing what is possible, recycling what cannot be reused, repairing what is out of order, and reproducing what cannot be repaired, it would alter economic reason. In research of 7 European nations, it was discovered that changing to a circular economy would minimize emissions of greenhouse gas by up to 70% of every country and raise its labor force by about 4%. In a report to the European Commission by Walter R. Stahel and Geneviève Reday-Mulvey, the perception of replacing manpower with energy was first described 40 years ago.

#### **3.3.1 Responsibility based on economics of CSR**

CSR benefits the business and the economy by giving the firm a good reputation, reducing the usage of energy, building the loyalty of customers, and minimizing the chances of risk. Consideration of the principles of Corporate Social Responsibility by the business firms in the long term leads to sustainable economic practices, which further help in the process of economic growth and development.

#### **3.3.2 CSR from a non-economic perspective**

When it is performed in the right way, corporate social responsibility is always a win-win for the business, the economy, and its community. Being charitable with the resources of the business, like its financial resource, time, and skills positions the business firm in a better place in order to attract deliberate associates, human resources, and customers.

### **3.4 Activities under CSR**

Social campaigns help in shaping the firm and shaping the corporate image in the eyes of the world. Some of the different areas of CSR activities include animal rights, employee code, corporate ethics, human rights, and more.



### 3.5 Knowledge gap

The study of the existing literature demonstrates that while the subject of CSR is widely studied, there is a lack of studies comparing CSR environments of two countries, and there is no study comparing the CSR environment of EU and India.

## 4 Practical part

### 4.1 Overall score of EU and India

| Criteria  | EU score out of 5 | India Score out of 5 |
|---|-------------------|----------------------|
| Average Percentage of profits spent on CSR                            | 4                 | 3                    |
| Total expenditure on CSR (to indicate progress in CSR activities)     | 3.5               | 3                    |
| Involvement in social improvement (education, employment opportunity) | 4                 | 2                    |
| Involvement in controlling environmental impact (carbon footprint)    | 4                 | 3                    |
| Accountability in CSR reporting                                       | 4.5               | 3                    |
| Strictness of regulators  | 3                 | 4                    |
| Gap in actual activities and CSR concern (unethical practices)        | 4                 | 3                    |
| <b>Total Score</b>  | <b>27/35</b>      | <b>21/35</b>         |

## 5 Conclusion

Overall, the CSR score of the European Union reflects that the region is on the right track of performing CSR activities, and the future goals of the European Union can be easily achieved. On the other hand, the future goals of India's CSR environment will require the implementation of significant measures for achieving sustainable goals.

## 6 Recommendations

- CSR integration
- Formalizing environmental and social justice
- Ensuring engagement at all levels of the organization

## 7 References

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