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Special Economic Zones and Corporate Social Responsibility

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ABSTRACT

Corporate social responsibility (CSR) refers to strategies corporations or firms conduct their business in a way that is ethical, society friendly and beneficial to the community in terms of development. This article analyses the meaning of CSR based on some theories available in the literature. It is argued that three theories namely utilitarian, managerial and relational theories of CSR supported by works of other scholars in the area could be used to suggest that CSR becomes an international concern due to globalized nature of the business that knows no border. CSR is evolving in its meaning and practice. The article then discusses the role of CSR in community development because the very logic of CSR is towards seeing its impact on community socially, environmentally and economically. Competencies required by CSR managers are also analyzed in order to have a better understanding of the practical aspects of CSR. Finally, conclusions and implications for future research are discussed.

The present-day CSR (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity) is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large. CSR simply refers to strategies corporations or firms conduct their business in a way that is ethical and society friendly. CSR can involve a range of activities such as working in partnership with local communities, socially sensitive investment, developing relationships with employees, customers, and their families, and involving in activities for environmental conservation and sustainability.

Keywords: *Corporate Social Responsibility, Community Development, Multinational Corporations, Corporate-society relations, Special Economic Zones.*

1. INTRODUCTION

Corporations around the world are struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their business. *Sustainability* refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders (van Marrewijk & Verre, 2003).

Organizations have developed a variety of strategies for dealing with this intersection of societal needs, the natural environment, and corresponding business imperatives. Organizations can also be considered on a developmental continuum with respect to how deeply and how well they are integrating social responsibility approaches into both strategy and daily operations worldwide. At one end of the continuum are organizations that do not acknowledge any responsibility to society and the environment.

And on the other end of the continuum are those organizations that view their operations as having a significant impact as well as reliance on society at the economic, social, and ecological levels, thus resulting in a sense of responsibility beyond the *Corporate Social Responsibility and Sustainable Business* traditional boundaries of the organization. Most organizations can be placed somewhere in between.

Corporate responsibility or sustainability is, therefore, a prominent feature of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Management education can be an important source of new ideas about shifting toward an integrated rather than fractured knowledge economy, but this means also that the role and meaning of socially responsible leadership need to be updated. Much further research is needed to create a clearer understanding of what is required, both in leadership itself and in the field of leadership development.

It is no longer acceptable for a corporation to experience economic prosperity in isolation from those agents impacted by its actions. A firm must now focus its attention on both increasing its bottom line and being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models. To understand and enhance current efforts, the most socially responsible organizations continue to revise their short- and long-term agendas, to stay ahead of rapidly changing challenges. In addition, a stark and complex shift has occurred in how organizations must understand themselves in relation to a wide variety of both local and global stakeholders. The quality of relationships that a company has with its employees and other key stakeholders—such as customers, investors, suppliers, public and governmental officials, activists, and communities—is crucial to its success, as is its ability to respond to competitive conditions and corporate social responsibility (CSR). These major transformations require national and global companies to approach their business in terms of sustainable development, and both individual and organizational leadership plays a major role in this change.

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'Twenty years ago, environmental and social issues were for activists. Ten years from now, they are likely to be amongst the most critical factors shaping government policy and corporate strategy. Twenty years ago, we were a series of local states and countries, national and regional businesses that were partially connected. Ten years from now, we will be globally interdependent as individuals and organisations'.28 International investment by MNEs is central to corporate globalisation, which inevitably will lead to a desire to harmonies laws and reporting practices. MNEs tend to be a focal point with regard to CSR due to their size and complexity and the fact that they operate in more than one jurisdiction either directly or via subsidiary entities or in alliances with other entities.

The most difficult issues arising with regard to CSR occurs in poor countries with weak and sometimes corrupt governments. Many MNEs are larger and more economically significant than the developing nations in which they operate. Whilst MNEs may facilitate the stimulation of a developing nation's economy, they also have the capability of abusing their power in host countries which are often either unable or unwilling to hold MNEs accountable for inappropriate conduct. Poorly regulated international investment in these environments distorts local development, fuels conflict and may contribute to abuses occurring.29 accordingly, strengthening cross border corporate accountability and more effective international regulation of MNEs is necessary. In addition, developing countries should be encouraged to strengthen their political and economic systems to enable their governments to more effectively regulate the private sector.

The OECD Guidelines for Multinational Enterprises, first adopted in 1976, are the longest standing initiative for the promotion of high corporate standards. The Guidelines contain voluntary principles and standards for responsible business conduct in areas such as human rights, supply chain management, the disclosure of information, anti-corruption, taxation, labour relations, environment, competition, and consumer welfare. The Guidelines aim to promote the positive contributions of MNEs to economic, environmental and social progress.

The most popular Special Economic Zones, which are termed as the engines of the economic growth are also included in the category of corporations which take up large areas and construct huge manufacturing sectors and help in the employment generation and help to increase the revenue of the state and country where they are located. The present paper makes an attempt to connect the functions of the SEZs and their role in the corporate relations through corporate social responsibility.

Some Existing CSR Policy Initiatives across Countries

As the importance of being socially responsible is being recognized throughout the world, governments are aware of the national competitive advantages won from a responsible business sector. Large corporations have progressively realized operations are located. The Organization for Economic Co-operation and Development (OECD) established a set of guidelines for multinational enterprises in 1976 and was thus a pioneer in developing the concept of CSR. The purpose of these guidelines was to improve the

investment climate and encourage the positive contribution multinational enterprises can make to economic and social progress. In addition to the OECD's 30 member countries, 11 observer countries have endorsed the guidelines.3.
It is observed that transparency in reporting enhances the focus on economic, social and environmental factors. It motivates companies to intensify their efforts in becoming socially responsible. Several efforts have been taken by various governments, to encourage CSR reporting, such as incentivizing companies who voluntarily report their CSR activities or by taking measures such as mandating CSR reporting. In 2007, the Malaysian government passed a regulation to mandate all publicly listed companies to publish their CSR initiatives in their annual reports on a "comply or explain" basis. Accordingly, all public listed companies (PLCs) in Malaysia have to either publish CSR information or they need to explain why they should be exempted.4 In another example, in 2009 Denmark mandated CSR reporting, asking all state-owned companies and companies with total assets of more than €19 million, revenues more than €38 million and more than 250 employees, to report their To enable transparency from businesses on the environment, social and governance front, France passed a law called Grenelle II, which mandates integrated sustainability and exchanges, including subsidiaries of foreign companies located in France and unlisted companies with sales revenue of more than €400 million and more than 2,000 employees.5 Although some CSR standards are mandatory, there are others, which comprise of both, mandatory and voluntary standards. For instance, in 2006 the British Companies Act mandated all companies listed in the UK to include information about their CSR activities in their annual reports; however, a full length CSR reporting was made voluntary. 6 A corporate responsibility index challenges and supports large organizations to integrate responsible business practices. Emerging markets such as Brazil, China, and South Africa have become forerunners in CSR reporting in the developing world in terms of their involvement in CSR-related activities in order to promote the listed companies' credibility, transparency and emerging market stock exchange to create a socially responsible investing (SRI) index in 2004. China has also encouraged CSR reporting in guidelines released through the Shanghai and Shenzhen Stock Exchange.

2. ARTICLES IN THIS THEMATIC ISSUE

Articles in this issue are in line with the key trends identified above, but they also mark important departures from conventional CSR research. Two studies fall into the category of process-based research (Crilly, Hansen, & Zollo, 2016; York, Hargrave, & Pacheco, 2016). Crilly and colleagues (this issue) examine stakeholder interpretation of firm claims based on interviews and extensive archival evidence. Drawing on a cognitive–linguistic perspective, the study examines how firms communicate their sustainability commitments and why some stakeholders see through untruthful claims. The study finds that firms cover the same points of content in their reports, but those that practice what they preach use more complex styles of language than do firms that decouple their action from statements. Moreover, generalist stakeholders and those with conflicts of interest do not see through untruthful claims, whereas specialist stakeholders can. York and colleagues (this issue) examine the hybridization of field logics. Hybridization and hybrid organization is another area of CSR research that has received recent attention. Hybrid logics are defined as rules of action, interaction, and interpretation that integrate the goals of previously incompatible logics through material forms, practices, and governance arrangements. Through an inductive study of the wind energy field in Colorado, the study finds that a hybridized logic emerged through a process in which organizational responses to logic incompatibility drove shifts in the relationship between logics and organizations. Compromise and framing efforts unintentionally initiated the process of logic hybridization by catalyzing proponents of the subordinate logic to contest the dominant logic and alter the balance of power in the field. Hybrid organizations then emerged to establish, legitimize, and embed a new set of interlinked frames, practices, and arrangements that integrated previously incompatible logics. The study's findings suggest that the hybridization of field-level logics is a complex process in which organizational actions and field-level conditions recursively influence each other over time. Both studies use a mixed method approach in which the qualitative study provides opportunities for theory building and an in-depth, micro-level understanding of context, while the systematic analyses of archival data help generalize, to a certain degree, findings from the qualitative data.

Whether or not firms comply with policy regulations and the consequence of compliance (or noncompliance) is an area of CSR research that is also receiving increased attention, with the present AMJ issue including three articles in this category. Simons, Vermeulen, and Knoben (this issue) examine the role of communities in explaining the active resistance of small bars to smoking regulations in 427 Dutch municipalities (communities). The authors argue that the likelihood of organizational resistance to regulation pressure is affected by the social cohesion of the focal community. By incorporating community attributes to account for organizations' heterogeneous responses to regulatory pressure, the study advances current institutional scholarship and demonstrates empirically how such a theory can help explain the success of relatively weak organizational actors' resistance in the face of strong institutional pressures by the state. While Simon and colleagues examine the role of communities in explaining firm resistance to regulations, Desai (this issue) examines the issue from a different vantage point.

Building on theories of how organizations search for and learn from the information under uncertainty, the latter study suggests that organizations establish close collaborative relationships with regulatory agents to overcome uncertainty following enforcement actions, further enhancing organizational compliance with enforced mandates. However, organizations with the least visible practices will forego such collaborations because of the risks associated with disclosing private information to regulators. Therefore, this activity is eschewed by organizations with the least transparent practices— paradoxically, those organizations that may be best placed to learn or change the most through these exchanges. Collectively, this study deepens our understanding regarding organizational compliance with external pressures and emphasizes the role of organizational visibility in interactions with outside agents.

Weigelt and Shittu (this issue) explore the effect of policy regulations on firm resource decisions. Diverging from the existing literature, which points to the influence of competition and regulatory policy on a focal firm's resource decisions, this article

examines how policy regulations interact with a competitive strategy to affect firm resource allocation in the context of renewable energy investments in waste-to-energy, wind, and solar in the U.S. electricity industry. The authors show that resource redeployment is not simply a function of internal firm decisions but a response to external forces.
They find that regulatory mandates dampen the effect of competitors' new resource investments on a focal firm's new resource investments. While most CSR studies have been conducted at the firm level, there is nascent interest in research at the individual—and, particularly, at the employee— the level of analysis. Rodell and Lynch (this issue) examine how employee volunteering is perceived by others in the workplace. Drawing from theories of person perception and attribution, they argue that colleagues give credit to employee volunteering when they attribute it to intrinsic reasons and stigmatize it when they attribute it to impression management reasons. Further, volunteering is rewarded by supervisors and coworkers when it is attributed to intrinsic motives; and this relationship is amplified when stigmas are low. These arguments are confirmed by both a field study and a laboratory experiment.

Jayasinghe (this issue) addresses another specific CSR issue related to employees—labor code adoption—and does so in an emerging economy context. In particular, using longitudinal data on a sample of apparel manufacturing plants in Sri Lanka, Jayasinghe (2016) studies the labor code adoption of these plants. Extending human resource management theory to the context of emerging economy manufacturing, the study demonstrates that the voluntary adoption of a labor code may constitute an effective human resource investment in emerging economies in improving establishment level employee outcomes and operational and financial performance.

An SEZ (SEZ) is a geographical region that has economic laws that are more liberal than a country's typical economic laws. In India, eight previously existing Export Processing Zones have been converted into SEZs. The policy provides for setting up of SEZ's in the public, private, joint sector or by State Governments. It was also envisaged that some of the existing Export Processing Zones would be converted into Special Economic Zones.

Over the past few years, the policy of promoting zones has found favour with the government of India. In 2005, it enacted the SEZ Act and the SEZ Rules were notified in February 2006. The policy is expected to give a big push to exports, employment and investment in SEZs. The SEZ Act gives a wide area of discretion to the State and Central Governments to regulate an SEZ as they see fit.

What is crucially different about other south-Asian projects from the Indian model is that all these export promotion zones, special economic zones, free trade zones etc. were by and large state initiatives. The Indian SEZ program instead, shifts the burden of development and maintenance to the private investor. Again the legal regime inside a specific SEZ is the initiative of the concerned state government.

In the context of an SEZ, the most pertinent facet of Corporate Social responsibility is the aspect of Corporate Social Rectitude or corporate ethics. Writers have also tried to bring in a difference between social obligations and social responsibilities. They argue that social obligations imply corporate functioning within legal and social constraints, whereas social responsibility implies keeping in step with the prevailing social norms, values, and expectations of performance. Concluding, a new initiative towards industrialization and manufacturing cannot violate basic fundamentals of corporate ethics and responsibility.

Businesses nowadays have a major impact on economic development in developing countries. ICCO experiences that companies can be instrumental in achieving justice, equality, and inclusive development. In order to become a driving force of fair economic development and social progress, businesses must work simultaneously to identity and mitigate risks on one hand, while maximizing shared value generation and aiming for systemic change on the other.

How to achieve Corporate Social Responsibility?
ICCO makes businesses aware of their corporate social responsibility (CSR) to respect human rights in their activities and supports businesses in their efforts to map human rights-violations, to solve and to prevent them. The government in the Netherlands and the government in developing countries play a key role. ICCO advocates at governments for laws, rules, and enforcement, as well as for awareness of violations and the duty of governments to protect their citizens.

Inform, Engage and Support
Local communities and indigenous groups are at the heart of our efforts. Often it's they who suffer the most from human rights violations, for example in cases of land grabbing, labor issues or environmental pollution. ICCO informs these people on their rights and supports them in a constructive dialogue with businesses and governments. We also engage with businesses to help them increase their efforts for meaningful stakeholder dialogue with local communities.

The key to maximizing returns for all the stakeholders in the given situation is to emphasize on developing effective and need based CSR strategies so that the investments can yield intended results. Effective CSR can be achieved by aligning CSR initiatives to the extent possible with business objectives, thereby indirectly programming. As far as possible, the CSR initiatives should be designed in a sustainable manner and should be scalable and result oriented. Therefore, creating indirect advantages such as brand visibility, social capital, partnerships, business opportunities, long-term community relationships and most importantly nation building.

Framework for effective CSR
Effective
CSR
1. Aligned with business objectives
3. Compliance with the provision of Companies Bill, 2012
5. Scalable
Brand visibility
Social capital
Partnerships
Business opportunities
Relationships
Nation building

There are various methods that enable effective CSR, beginning with a thorough assessment of the existing processes and approaches employed in managing CSR expectations. These include clearly identifying the CSR strategy and aligning it to considerations such as the existing policy framework and the vision and mission of an organization. Initially, the CSR strategy needs to include transparent systems and risk mitigation tools, which need to be communicated adequately within the organization and all those involved in implementation. Secondly, an organized focus on the project planning and design. The actions described above ensure that maximum utilization occurs and that interventions yield results. Currently, the stance of CSR in India is headed in a positive direction as there already exists a multitude of enabling organizations and regulatory bodies such as the DPE, MCA, and IICA that have already set the wheels in motion and are playing an important role in making CSR a widespread practice and ensuring success in reducing inequalities without risking business growth.

3. CONCLUSION

According to the emergent literature, there is a growing awareness that business needs to manage its relationship with the wider society. Corporate leaders are responsible for their corporations' impact on society and the natural environment beyond legal compliance and the liability of individuals. To the novice, this annotated bibliography offers a short but nevertheless deep introduction to the field. More experienced leaders can gain new perspectives on how to grow in their approach to sustainability and how to develop innovative business models in accord with the triple bottom line.
CSR is becoming a leading principle of top management and of entrepreneurs. The number of observations in research in this field clearly delineated models, leadership competencies, accountability, and structure of partnerships as well as organizational challenges and limitations and ethics. Organizations can reexamine their pattern of behaviors in the TBL framework and begin their journey toward a sustainable approach that is integrated into their business strategy.

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1. A holistic approach to business management: Perspectives from the Bhagavad Gita, 24
2. A longitudinal study of significant change in stakeholder management, 74
3. A look at corporate code of conduct legislation, 58
4. An analysis of corporate social responsibility, corporate identity and ethics teaching in business schools, 25
5. Are emerging market TNCs sensitive to corporate responsibility issues?, 35
6. A responsible company that's making the grade, 43
7. Asia's governance challenge, 14
8. Being good while being bad: Social responsibility and the international diversification of U.S. firms, 74
9. Building business value through sustainable growth, 77
10. Business ethics and corporate social responsibility: Defining an organization's ethics brand, 16
11. Business, poverty and corporate citizenship: Naming the issues and framing solutions, 21
12. Choosing a values-based leader: An experiential exercise, 68
13. Components of CEO transformational leadership and corporate social responsibility, 86
14. Consumer responses to corporate social responsibility (CSR) initiatives, 62
15. Corporate accountability to the poor? Assessing the effectiveness of community-based strategies, 31
16. Corporate gains: Corporate social responsibility can be the strategic engine for long-term corporate profits and responsible social development, 16
17. Corporate identity, ethics, and reputation in supplier-buyer relationships, 15
18. Corporate leadership: How well do nonexecutives influence boards?, 60
19. Corporate responsibility and the movement of business, 79

20. Corporate social responsibility: A challenge for the donor community, 29
21. Corporate social responsibility and firm performance: Investor preferences and corporate strategies, 55
22. *Corporate social responsibility: Doing the most good for your company and your cause,* 51
23. Corporate social responsibility in emerging economies, 56

