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# CSR Practices by MNCs in India: An Empirical Study

## INTRODUCTION

No doubt, MNCs are growing in numbers and size as well, but at the same time their growing expansion into developing countries is also arising some questions regarding their corporate behavior in these countries. Most of the developing countries suffer from poverty, unequal distribution of resources, insufficient political system, and inadequate regulative institutions. MNCs, being bigger in size and financially strong, can take undue advantages of these weaknesses of developing countries. MNCs are often blamed for exploitation of natural, financial and human resources adversely affecting the natural and social environment of host countries. All this bring the question of CSR of MNCs in light. As Tan (2009) observed that with the expansion of MNCs, the alarming upsurge in widely publicized and notable corporate scandals involving MNCs in emerging markets has begun to draw both academic and managerial attention to look beyond home market practices to the pressing concern of CSR in emerging markets. On the other hand, foreign direct investment flowing to developing countries has the potential to make important contribution to the development of local economies including creating jobs, capacity building, and the transfer of technology. Multinational corporations can therefore have a positive impact in developing countries, especially through corporate social responsibility initiatives focusing on sustainable development and co-operation with civil society (Ite, 2004). So MNCs operating in developing countries face a new set of ethical dilemmas. Should they concentrate on their business or on improving social conditions in the economies which they operate in? Do MNCs need developing countries or vice-versa? Are they harmful or beneficial for host countries? A wide range of literature is available on this aspect of MNCs. But before discussing the review of literature on corporate social responsibility of MNCs, we need to know what CSR is.

## Abstract

**Purpose** -- By way of the present study an attempt has been made to know the involvement of MNCs in different kinds of social activities in India which have been considered as social responsibilities in the literature related to CSR.

The research is based on Survey Questionnaire, administered to 50 MNCs working in India. Data, thus generated was analyzed with the help of factor analyses.

**Keywords** – CSR, MNCs, India, Transparency, Accountability, Sustainable development.

**Type** – Research Paper

## CORPORATE SOCIAL RESPONSIBILITY

CSR refers to new pattern of conducting business, whereby, the business organizations seek to achieve their economic and financial objectives in the light of social and environmental consequences of their actions. The concept of corporate social responsibility has been emerged with the concept of modern enterprise. It is the duty of the business enterprise to be responsible to the society for what it does, and to be responsive to the needs of the society. It is not responsible to its shareholders only but also is accountable to all its other stakeholders including the society at large.

A famous definition of CSR given by 'The World Business Council for Sustainable Development' is "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

The Prince of Wales Business Leaders Forum defines CSR as "open and transparent business practices that are based upon ethical values and respect for employees, communities and the environment (and) designed to deliver sustainable value to society at large, as well as to shareholders."

According to The European Commission, "CSR is a concept whereby the companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders on a voluntary basis"

Slaughter (1997) has described the socially responsible behaviour as "actions that goes beyond the legal or regulatory minimum standards with the end of some perceived social good rather than the maximization of profit."

## MNCs

The increasing need for foreign capital by developing countries on one hand and drastic political changes at the international level and the economic liberalization across the globe on the other, has given rise to the wave of multinational corporations. A multinational corporation means a company which owns and controls production and service facilities in more than one country. Some other names like international corporation, global corporation, transnational corporation, etc. are also used for it. Its area of operations is not limited to one country but is spread outside the country of its origin. Thus, an MNC carries on business operations in two or more countries. Its headquarters are located in

country of its origin (home country) but its activities are spread over in some other countries also (host countries). MNC may invest funds directly in foreign countries in the form of FDI or it may lend its patents, licenses and managerial services to firms in host countries. So MNCs may operate in the form of subsidiaries, branches, joint ventures, franchises etc. According to World Investment Report (2009), there are some 82,000 TNCs worldwide, with 810,000 foreign affiliates in the world. These companies play a major and growing role in the world economy. Exports by foreign affiliates of TNCs are estimated to account for about one third of total world exports of goods and services and the number of people employed by them worldwide, which has increased about fourfold since 1982, amounted to about 77 million in 2008 – more than double the total labour force of a country like Germany.

## CSR AND MNCs

A general saying is that power must have corresponding responsibility. As far as corporate community is concerned their responsibility is to use their powers for the general good and not to misuse it for their individual good. From this point of view MNCs must assume greater responsibility because they are having greater powers as compared to their national counterparts. A review of the literature available on CSR and MNCs has been done to have insight on the problem. Most of the studies available are of conceptual in nature and very less are empirical. Some of the reviews are given below.

Gulshan (1995) defined social responsibility of MNCs as the awareness of MNCs' management of social, environmental, political and human as well as financial consequences, its actions produce. A socially responsible MNC acts in a way that not only will advance the corporation but also will serve society. Managers of MNCs must recognize that their decisions have socially responsible implications, they do not make them in a vacuum.

Zyglidopoulos (2002) argued that multinational corporations face levels of environmental and social responsibility higher than their national counterparts. Two mechanisms – *international reputation side-effects* and *foreign stakeholder salience* – were identified and their contributions in creating an environment more restrictive in terms of environmental and social responsibility were elaborated. Two managerial implications of these two mechanisms were identified. First, given the potential salience that foreign stakeholders can exert on the operations of a particular multinational subsidiary, answering the question, "who are the

stakeholders of a multinational subsidiary?" becomes a rather complicated matter. Second, given the "higher" level of social and environmental responsibility, under which multinationals operate, the risk of reputation side-effects increases, if matters potentially impacting the firm's reputation, such as social and environmental issues, are left at the discretion of national subsidiaries.

Macleod and Lewis (2004) concluded that TNCs are unlikely to regulate themselves voluntarily to generally accepted standards of behaviour. In a post-Enron world, socially responsible behaviour can not merely be assumed. It is time for, at least, skeletal regulation. It was suggested that corporate social responsibility rules should operate at global, regional and national level in order to be effective, since global and regional regimes are ineffective without the support of national governments.

Ite (2004) observed that CSR has a powerful potential to make positive contribution to addressing the need of disadvantaged communities in developing countries. On the other hand, there are ways, in which CSR could, whether by mistake or design, damage the same communities, politically, socially, and economically. It was concluded, with the help of a case study, that lack of national macro-economic planning and management, backed by equitable resources allocation, and an enabling environment, have significant implication for the overall performance of CSR initiatives by multinational corporations in developing countries. If the macro economy is underperforming due to government failure, there is likelihood that the contributions of MNCs to poverty alleviation could fail to achieve the desired outcomes. Good governance in all its dimensions is, therefore, an important component of the CSR agenda.

Husted and Allen (2006) examined the relationship of global and local (country-specific) corporate social responsibility to international organizational strategy. The alternative approaches were tested with a survey instrument sent to MNEs operating in Mexico. The results of the study were consistent with the proposition that the institutional pressures, rather than strategic analysis of social issues and stakeholders, are guiding decision making with respect to CSR. One of the key finding of the study was that all MNE types place similar importance on Global CSR issues (e.g. environmental conservation), but the multi-domestic and transnational MNEs place greater importance on country-specific CSR than do global MNEs.

Bendixen and Abratt (2007) examined the ethics of a large MNC in its relationship with its suppliers. The results indicated that the company had a good

corporate reputation among both its suppliers (an important stakeholder) and its own buying department. The existence and implementation of formal codes of ethics was found to be a necessary, but not sufficient condition for good ethical practice. Candid relationships with suppliers emerged as a second and important factor. It was observed that ethical perceptions of buyers by suppliers are driven by the management of corporate identity, through the elements of ethical standards and candid relationships.

Amao (2008) examined the Nigerian legal framework for the regulation of MNCs with a view to underlining the weaknesses in the domestic forum, and also examined the prospects for enhancing the capacity of a domestic framework for the effective control of MNCs. It was argued that, while corporate social responsibility practice by MNCs is becoming well entrenched, this development cannot replace the need for effective host state regulation. There cannot be effective control of multinational corporations at international, regional or private levels without the corresponding development of an effective minimum institutional framework at the domestic level.

Yang and Rivers (2009) investigated antecedents of corporate social responsibility in multinational corporations' subsidiaries. Using stakeholder theory and institutional theory that identify internal and external pressures for legitimacy in MNCs' subsidiaries, International business and CSR literatures was integrated to create a model depicting CSR practices in MNCs' subsidiaries. It was proposed that MNCs' subsidiaries will be likely to adapt to local practices to legitimize themselves if they operate in host countries with different institutional environments and demanding stakeholders and they will be likely to adapt to local practices to avoid spillover effects if their parent companies suffer major legitimacy problems at home or abroad. However, MNCs' subsidiaries will be less likely to adapt to local practices if they are strongly annexed to their parent companies and the benefit to gain internal legitimacy outweighs external legitimacy.

Amaeshi and Amao (2009) explored the home country influences of multinational corporations (MNCs) on their CSR practices when they operate outside their national/regional institutional contexts. The study focused on a particular CSR practice (i.e. corporate expressions of code of conducts) of seven MNCs from three varieties of capitalism – coordinated, mixed and liberal market economies – operating in the oil and gas sector of the Nigerian economy. It was concluded that the corporate codes of conduct of these MNCs operating

in Nigeria, to a large extent, reflect the characteristics of their home countries' model of capitalism, respectively, albeit with certain degree of modifications. The home countries' model of capitalism was also found to have implications for the degree of adaptability of these MNCs' CSR practices to the Nigerian institutional context – with the mixed market economy model of capitalism adapting more flexibly than the liberal and coordinated market economies, respectively.

Kolk and Lenfant (2009) observed that MNCs face large CSR dilemmas, related to the contribution they can (or cannot) give in the different setting compared to their home countries as well as their attitude vis-à-vis ongoing conflicts. The study explored how MNCs report on CSR and conflict in three Central African countries (Angola, Democratic Republic of the Congo, and Republic of the Congo). The analysis of company information revealed that opportunities are widely seen and that most MNCs report on their economic and social impacts. However, CSR reporting is fairly generic, and the specific context seems to bear little influence on the type of CSR activities. The conflict dimension also receives limited attention, although some companies show awareness and outline the limitations of their power and the dilemmas inherent to their presence in these countries.

Tan (2009) attempted to examine the explanatory factors in leading MNCs, otherwise recognized for accountability and integrity in their home markets, to employ inconsistent or negligent practices under CSR pressure in Chinese emerging economy. Findings revealed that discrepancies exist in how MNCs perform in CSR in home countries versus in host countries. While MNCs do have much to improve, the institutional environment in the emerging market, including the legal framework and the ethical culture, also needs to be improved by the host country governments, the industry associations, and local firms. Meanwhile, media interest and journalists, NGOs, third party monitors, industry stakeholders as well as consumer advocacy groups can raise the visibility of MNC's contradictory practices between their origin nations and countries with emerging economies and offer the pressures and incentives for MNCs to amend their ethical shortcomings.

## MNCs RELATIONS WITH HOST COUNTRIES

Bjorkman and Osland (1998) observed that fundamental concern for MNCs is how to handle the

relationship with their host governments and analysed the response of western MNCs to host government pressures in the People's Republic of China. The study identified specific government pressures, described the response strategies utilized by US and Scandinavian firms in six different industries, discussed the effectiveness of different response strategies and concluded with several suggestions to managers. Some of the suggestions were to consider the whole range of possible strategies, be patient, ensure political competence development and government relationship building, and deal with different government organizations.

Bacchus and Chowdhury (2006) examined the relations between developing economies (Bangladesh) and MNCs (Shipping companies) operating in sector of strategic importance to the developing economy and observed that MNCs' engagement with the host country generate tensions and lead to economic, social and political change within the host state. It was highlighted that relations between MNCs and small host economies may be characterized as socio-economic and political construction within the host economy. A number of stakeholders emerge as influencing the construction of a localized and pragmatic relationship, including government, MNC shipping executives, local shipping operators, local officials and local press. It was found that there is an apparent unequal distribution of power relations between indigenous shipping companies and their foreign counterparts.

## WHY MNCs PREFER DEVELOPING COUNTRIES

Reddy and Narasimham (1980) observed that most of the developing nations are mainly agricultural based, require high level of technology and foreign exchange resources which are in short supply for the accelerated development of industrial sector. In pursuit of the goal of rapid rise in the standard of living of people, the developing nations are relying more and more on MNCs. Consequently, these countries compete with each other in attracting MNCs.

Kumar (1995) stated that there exist substantial reasons for a MNC to invest in India. However, reaching India's vast market entails making informed decisions about product to sell, carefully implementing market entry strategies, selecting the region on which to focus, considering what kind of distribution channel to use, choosing the packaging, and finally, resolving all the standard issues related to market entry: partnerships and alliances,

negotiations with government, supply chain development, and so on. It was concluded that the passage to India isn't an easy one, but for those with the will to preserve, the payoffs can be huge.

Akyldiz (2006) stated that the reasons why MNCs leave the developed countries and go to the developing countries have economic, political and environmental qualities. Developing countries provide cheap labour costs and cheap raw materials, and besides they make political decisions which provide facilities including attempting tax discounts to draw foreign capital to the countries and other important attraction reasons. Furthermore, it is very attractive for the MNCs that there are not enough environmental regulations about environment and economic activities which damage human health in developing countries and/or these legal regulations contain flexible provisions for them who carry them out.

## BENEFITS OF MNCs

Sriram (1995) observed that MNCs in India have contributed considerably to the development of a creed of Indian managers. The work culture has evolved from a colonial inward looking elitist culture to one that is vibrating with dynamism and transparency. The work ethics in MNCs is now considered to be professional with a culture that is informal, achievement directed but not casual. The old frills have been discarded for modern business practices directed towards satisfying the customer. The culture is moving from one that is dominated by power and role to an achievement and support oriented culture.

Rondinelli and Berry (2000) concluded that if MNCs are realistically and carefully forged, new alliances promoting corporate citizenship for sustainable development can reduce the adverse environmental impact of business operations on local communities, develop clean manufacturing and pollution preventions processes and technologies, explore environmentally natural or beneficial products and services, and help converse natural recourses and improve environmental conditions around the world.

Thomas (2001) observed that TNCs can afford to spend a much higher percentage of their revenues on R&D over a period of time, which domestic companies can not afford to do. That's why Transnational constitute a reliable source of modern technology which reduces cost and risk and improves efficiencies. Another key advantage of large TNCs is their ability to attract and develop large numbers of

very able managers in the recipient country. Unlike domestic companies, their selection of managerial talent is not constrained by consideration of family or linguistics, regional or political preference. Merit is by and large the main or only criterion which governs their selection and promotional processes.

Kumar and Khan (2004) sighted that being economically and technologically developing country it may not be adequate enough for India to depend on her own industries for economic as well as technological development. As the MNCs are financially and technologically sound, they can also play a crucial role in industrial and economic development of India.

## DEMERITS OF MNCs

Singh (1980) in his study "Multinationals' role in India" concluded that although multinational are considered as a vehicle for the transfer of technology and capital, they are not very useful to Indian economy in view of their indifference to the national priorities of development. These enterprises are more inclined to manufacture such goods which cater to the needs of elites and are indifferent to the consumptions needs of masses. Foreign collaborations have proved a great drain on the limited foreign exchange reserves of the country as outflows of foreign exchange exceeding the inflows.

Akyldiz (2006) studied the environmental responsibilities of MNCs in developing countries taking Turkey as a case country. It was found that MNCs are unsuccessful in sharing environmental responsibilities in especially developing/ underdeveloped countries. MNCs, as a holder of a right, benefit from possibilities that the environment offers; however, they do not fulfill their obligations regarding their environmental right. The struggle of MNCs makes progress towards the raising of environmental standards. In this connection, economic activity areas with sensitive ecologically, not yet protected or assured with laws in the said countries, such as in Turkey, remains exposed to a great risk.

Sekhar and Praseeda (2006) concluded that the gradual withdrawal of the government from key sector like health, education and employment, eventually paves the way for private control. Against this background it would be very difficult for the government to closely monitor and control the activities of the companies at every level, unless their operations prove to be too hazardous or inimical to the interests of the society.

## RESEARCH PROBLEM

In the present era, corporate is one of the important constituent of the society. It has a great role to play in the process of socio-economic and cultural modernization. Its actions and reactions to various socio-economic and environmental problems have an effect on quality of life. Because of its crucial impact, it has always been a matter of discussion among researchers, authors and academicians. Activities of corporate whether social, economic or others are also noticed by the society at large. Today, due to the recognition of CSR by the society, MNCs have started to undertake CSR activities. This is also the fact that MNCs are spending a huge amount on CSR in their respective home countries but the same practices are not followed in the host countries. Similar situation is perceived in India as MNCs are making huge profits while doing business in the country but, more or less, CSR aspect is ignored by them. Thus, what kind of CSR practices are followed by MNC in India is a matter of concern? Even review of existing literature reveals that much has been written and discussed about MNCs' relations with host nations, the reasons of MNCs' going to developing countries, positive and negative consequences of MNCs and their responsibilities among stakeholders in these countries. But very less literature is available highlighting CSR activities undertaken by MNCs in host countries. By way of the present study an attempt has been made to know the involvement of MNCs in different kinds of activities and practices which have been considered as social responsibilities in the literature related to CSR. Thus, the research problem has been stated as: "What kinds of CSR practices are followed by MNCs in India?"

## RESEARCH METHODOLOGY

### Research Objective

The main objective is to study the CSR practices of MNCs in India.

### Sampling

A list of MNCs operating in India was obtained from internet ([www.fundoodata.com](http://www.fundoodata.com)). Out of that 150 MNCs were selected as a sample by using convenience sampling method. The sample comprised of Indian subsidiaries of MNCs across various industries and countries of origin.

### Data Collection

Theoretical framework was developed from the secondary data, comprising of the published

literature, magazines, newspapers and websites. In line with the research problem, primary data was generated by means of questionnaire. Persons at managerial level were the respondents for the present study. Since the information was regarding CSR and very few MNCs were having separate CSR department or CSR manager in India, so responses were taken from Public Relation Officers/Managers, Human Resource Managers, etc. who were looking CSR affairs.

### Construction of Questionnaire

The questionnaire included, apart from the general information about the company, a list of different activities which come under the preview of CSR viz. activities to help the victims of natural calamities; involvement in different kinds of drives, camps, and programmes; activities to help the local community, etc. Best efforts were made to include maximum possible CSR activities. A detailed review of literature and information available on websites of different companies were of great help for this purpose. There were 25 activities, originally, in the questionnaire. A pilot survey was conducted on five companies. The respondents were asked to record their opinion regarding the involvement of their respective companies in all these activities on a 5 point Likert-type interval scale. The questions regarding personal information of respondents were dropped after the pilot survey as most of the respondents refused to disclose their identity. Activities of similar nature were merged after the pilot survey. The final questionnaire contained 18 CSR activities (Table 1). These activities were given numbers V1, V2, V3..... to V18.

**Table 1: Activities**

1. Tree plantation drives (V 1)
2. Sponsorship of sport events (V 2)
3. Cleanliness campaigns (V 3)
4. Health awareness campaigns (V 4)
5. Employee training programmes (V 5)
6. Consumer awareness campaigns (V 6)
7. Recycling of waste products (V 7)
8. Quality control measures (V 8)
9. Ethical business practices (V 9)
10. Social audit (V 10)
11. Preserving natural resources (V 11)
12. Pollution control (V 12)
13. Generation of employment for disabled (V 13)

- 14. Scholarships for students (V 14)
- 15. Social infrastructure (V15)
- 16. Computer education (V 16)
- 17. Women empowerment (V 17)
- 18. Help to victims of natural calamities (V 18)

The questionnaires were mailed to the companies having offices in Mumbai, Bangalore and some other distant places. Companies having offices in Delhi NCR were visited personally to handover the questionnaires. Around 150 companies were contacted in aggregate and best efforts were made to get the responses. After follow up, given time and cost constraints and poor response rate, data could be collected only from 52 MNCs. However, 2

questionnaires were dropped on account of incomplete information.

**Table 2: Eigen value with cumulative percentage of variance**

Components	Eigen Value	% of Variance	Cumulative % of variance
1	3.501	19.450	19.450
2	2.932	16.286	35.737
3	2.093	11.630	47.367
4	2.062	11.455	58.822
5	1.900	10.557	69.379

**Table 3: Rotated Component Matrix**

Variables	Component					h <sup>2</sup>
	1	2	3	4	5	
V 1	<b>0.851*</b>	0.034	-0.011	0.036	0.077	0.733
V 2	<b>0.763*</b>	0.003	-0.071	0.111	-0.272	0.673
V 3	<b>0.631*</b>	0.224	-0.086	-0.027	0.409	0.624
V 4	<b>0.748*</b>	0.104	0.22	0.068	0.282	0.703
V 5	0.041	0.274	-0.061	<b>0.794*</b>	0.153	0.734
V 6	0.438	0.202	0.05	<b>0.508*</b>	-0.17	0.522
V 7	-0.034	<b>0.716*</b>	0.122	0.472	0.02	0.751
V 8	-0.12	<b>0.81*</b>	0.09	0.287	0.191	0.797
V 9	0.091	0.349	0.275	0.12	<b>0.731*</b>	0.754
V 10	0.071	0.197	0.064	0.207	<b>0.834*</b>	0.786
V 11	0.153	<b>0.812*</b>	0.124	-0.016	0.29	0.782
V 12	0.251	<b>0.856*</b>	-0.027	-0.005	0.097	0.805
V 13	-0.037	0.099	<b>0.809*</b>	0.035	0.064	0.671
V 14	0.238	-0.069	<b>0.635*</b>	0.443	0.145	0.682
V 15	<b>0.649*</b>	-0.038	0.251	0.199	0.204	0.566
V 16	0.218	0.027	0.23	<b>0.718*</b>	0.271	0.690
V 17	0.141	0.109	<b>0.751*</b>	-0.036	0.102	0.608
V 18	<b>0.618*</b>	0.08	0.411	0.198	-0.101	0.607

\*Items with factor loading 0.5 or above are retained

### Data Analysis and Findings

Eighteen variables were subjected to factor analysis by using Principal Component Method (Hotelling, 1935). The extraction of factors was stopped when Eigen Value (latent roots) came to be less than 1.00 (Kaiser, 1960), thereby extracting five factors. A total variance of **69.379** is accounted for by these five

factors (Table 2). The extracted factors were rotated in accordance with the criterion of Kaiser's (1958) Varimax procedure. The communalities, denoted by h<sup>2</sup>, are ranging from **0.522 to 0.805** (Table 3).

Table 3 shows the varimax rotated matrix for all five factors. The cut-off point interpreting the factor loading was set at the universally accepted value of

0.5. Each of the factors so extracted was given a name for ease of reference. Care was taken to ensure that the name of each factor reflected as clearly as possible the underlying dimension in the group of variables with which a particular factor was formed (Quazi and O'Brien, 2000). Each of the factors represents a particular aspect of CSR activities and is explained in the following interpretation of the factors.

**Factor 1: Local Community Support**

Variables	Statements	Factor Loading
V 1	Tree plantation drives	.851
V 2	Sponsorship of sport events	.763
V 4	Health awareness campaigns	.748
V 15	Social infrastructure	.649
V 3	Cleanliness campaigns	.631
V 18	Help to victims of natural calamities	.618

High factor loadings have been observed for the activities undertaken for the betterment of local community at large. It includes tree plantation drives; sponsorship of sports events; health awareness campaign; expenditure on social infrastructure; cleanliness campaigns, and help to victims of natural calamities. All these activities aimed at the welfare of the local community. Therefore keeping in mind the nature of variables loaded on this factor, this factor has been named as 'Local Community Support' and indicates that MNCs' are not only aware of the problems of the society but also have taken some actions to solve them.

**Factor 2: Sustainable Development**

Variables	Statements	Factor Loading
V 12	Pollution control	.856
V 11	Preserving natural resources	.812
V 8	Quality control measures	.810
V 7	Recycling of waste products	.716

This factor has been named as 'Sustainable Development', which is one of the principles of CSR

indicating thereby the adherence of MNCs to CSR Principles. Pollution control; preserving natural resources; quality control measures; and recycling of waste products are ongoing social activities and shows that MNCs are very caring for the society/ environment in which they operate. These CSR activities undertaken by the MNCs will not only ensure the development in the society but also the long survival of the business.

**Factor 3: Empowerment of Weaker Sections of Society**

Variables	Statements	Factor Loading
V 13	Generation of employment for disabled	.809
V 17	Women empowerment	.751
V 14	Scholarships for students	.635

Helping weaker and needy sections of the society has been emerged as another area of concern for MNCs. Variables having high factor loadings on this factor include generation of employment opportunities for the disabled; women empowerment; and scholarships to deserving students. Helping hands to these groups can prove to be a step forward towards the idea of a better society by ensuring equality among various sections. Thus, it can be concluded that MNCs are also working for the welfare of weaker section of society, thereby participating in overall development of society.

**Factor 4: Knowledge Enrichment**

Variables	Statements	Factor Loading
V 5	Employee training programmes	.794
V 16	Computer education	.718
V 6	Consumer awareness campaigns	.508

Factor 4 indicates the importance given by MNCs to training programmes for the employees, computer education and consumer awareness campaigns. All the variables loaded on this factor have positive loadings, thereby sharing most of their variances among themselves, hence co-vary. The basic structure of this factor highlights the enrichment of the knowledge of employees/customers, therefore it is named as 'Knowledge Enrichment'. Training and education is equally beneficial for the employees as

well as for the companies because they enhance the skill and efficiency level of the employees which can be utilized for the betterment of the organization. An informed customer can also prove asset for the organization.

**Factor 5: Transparency and Accountability**

Variables	Statements	Factor Loading
V 10	Social audit	.834
V 9	Ethical business practices	.731

This factor reveals that MNCs are not only practicing the principle of sustainability but also others principles of CSR i.e. Transparency and Accountability. To substantiate this, MNCs are going for the audit of the whole expenditure done on social activities. Moreover, MNCs are following the ethical business practices according to code of business ethics. These social audit and ethical business practices kinds of activities undertaken by MNCs in India highlights their commitment to CSR principles and thereby ensuring transparency and accountability in their system.

**Discussion**

The findings of the present study highlight the different types of CSR activities undertaken by MNCs in India. 'Local Community Support' has been emerged out to be the most important CSR activity. This factor upholds that MNCs are aware of the problems of their surroundings and are keen to find the solutions thereof. This may be because of the increased education and awareness level of the society about its own rights on one hand and duties of business houses on the other. As Pani (1997) observed that with the growing education level and awareness among the people there was a growing acceptance of the plea that the business should be responsible to the society. Consciousness of responsibility to the society is on the increase and some business houses are taking appropriate actions in the right direction. Calvano (2008) argued that conflict between multinational corporations and local communities escalates, scholars, executives, activists, and community leaders are calling for companies to become more accountable for the impact of their activities on external stakeholders. In order for business to do so, managers must first understand the causes of conflict with local communities, and communities must understand what courses of action are available to challenge activities they deem harmful to their interests.

Second most dominant factor indicates the adherence of MNCs to one of the principle of CSR i.e. 'Sustainable Development'. The fact that importance given to pollution control, recycling of wastage, preservation of natural resources and quality control can lead to the long term prosperity of the environment and the company as well, is being recognized by the MNCs. These findings support the observations made by Bhatia (2001) that sustainable development has universally been accepted as the common environmental goal in business circles now. Corporate management has a great deal to offer to achieve sustainable development. Implementation of sustainable development requires promotion and application of pollution prevention whether through source reduction or clean technologies. Rondinelli and Berry (2000) also concluded that corporations, specially the large multinationals that now dominate global business and trade can be powerful forces for achieving sustainable development objectives. Understanding their perception of and abilities to practice corporate environmental citizenship both through external relationships and internal management practice can help environmental interest groups and government regulatory agencies to leverage MNCs substantial resources for sustainable development. The increased level of regulative norms regarding the pollution control and environment protection, and actions taken by the government against the violating organizations, too, have forced MNCs to take initiatives in this area.

Factor 3 involves the activities which aimed at the help to the weaker and needy sections of the society. Employment for the disabled and women protection/empowerment is something which can promote work-force diversification in MNCs. By ensuring this, MNCs can play a vital role in achieving the goals of equality and justice in the developing host countries, especially when the government in these countries have limited resources to make it possible to reach each and every (section) needy.

Factor 4 indicates at the involvement of MNCs in education and training programmes. Importance given to training programmes for employees can be associated with the MNCs' self interests and their socially responsible behaviour as well. The increased knowledge and skill of the employees benefit the company by way of increased efficiency and productivity leading to profitability. As Pani (1997) observed that employees of the business houses are the wings which help the business to fly high. The more satisfied the employees of the business, the more successful it is. Increasing societal awareness about consumer rights has pursued MNCs for

consumer education programmes. Robertson and Nicholson (1996) also observed that companies in all industries tended to recognize the importance of employees as a major determinant of firm success and to mention employees as stakeholders in a general way in their annual reports. Zheng et al. (2007) also explored a range of training practices adopted by multinational companies (MNCs) operating in Asia and investigated the level of training expenditure, the nature of training programs offered and the concerns about training in MNCs.

Social audit and ethical business activities practices that ensure 'Transparency and Accountability' in the conduct of business extracted in Factor 5. The private sector in general and the corporate community in particular, have ample scope and opportunity to raise the corporate norms of socially responsible conduct by voluntarily adhering to certain standards of corporate accountability (Sethi, 2003). Avoiding unethical activities like black marketing, restrictive and unfair trade practices, unethical/deceptive advertising etc., charging fair prices, CSR reporting and opting for social audit is something which is related with the consumers. Pani (1997) observed that consumers are the ultimate masters of the business and their likes and dislikes are the deciding factor in its existence. There are a few implied rights of the consumers to get unadulterated object, correct weight and proper courtesy from the business which a responsible business can not neglect. It should also follow in principle the code of conduct regarding ethical advertisement. This requires highly moral behaviour of the top management and persons at managerial level as well. These findings are also getting support from Porwal and Sharma (1991) who had argued that the demand for better deal from the business community is slowly building up and the concept of social responsibility is being accepted by some of the enlightened business corporations. This has led to a state where companies are trying to prepare social responsibility reports separately.

### Conclusion

As far as CSR is concerned, most of the activities of MNCs are concentrated on the welfare of the local society and environment protection. Addressing the needs of community in which they operate is high on the agenda for MNCs. The reason behind this may be involvement in the welfare of the local society creates a positive image of the company which is helpful to get the support of local government. On the contrary, doing anything wrong can get the opposition of the people adversely affecting the

interests of the organization. MNCs are also showing concerns about the negative impacts of its activities on the natural environment. Commitment to sustainable development on the one hand and government's regulatory measures on the other has induced the MNCs to take steps towards pollution control and environment protection. Issues like equality and justice are also being addressed by MNCs as they are involved in helping the needy section of society, including students, disabled and women. Knowledge enrichment of employees and consumers is undertaken by the MNCs for fulfilling not only their own needs but also their socially responsible behaviour. Transparency and accountability in business has also indicated the ethical behaviour of the MNCs. It can be concluded that whatever being the reason, whether it is societal expectations and awareness, governmental regulations, desire to create goodwill, company's self interest or, purely a sense of responsibility, MNCs are doing some definite efforts to discharge their social responsibilities in India and seems no less than their Indian counterparts in this regards.

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