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## CORPORATE SOCIAL RESPONSIBILITY (CSR) – RELEVANCY IN TRADE

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**Abstract:** Corporate Social Responsibility is the mechanism through which the corporate organizations have executed their philanthropic visions for social welfare. It is a powerful way of making sustainable competitive profit and achieving lasting values for stakeholder as well as shareholder. “Corporate Social Responsibility is very popular in corporate sector, which the financial crisis did not damage as perceptible as in other countries of developed economies”. The process of Globalization creates competition among different organizations to perform according to the internationally compatible trade practices. So this instigated them to divert their available resources to do more social activities. Nowadays, many nationalized banks in India have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth. The main objective of this study is to analyze the CSR activities carried out by selected corporate of India. It has been found that the selected corporates are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. The analysis shows that, these corporate are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities by the corporates, which is possible by adding more and more social development issues link with corporate sector. Moreover, The World is passing through a transition period in the order of its economy that promises by far to be the most crucial in its entire history. As a result of the new conditions with which we are confronted and the ever broader front upon which the lines of economic struggle are developed, we are rapidly becoming world minded whether willingly or not. The lackadaisical and uninformed days and daze, under which trade was conducted in a world of static repose, no longer exists. The world trader finds that the more clearly and completely he is able to analyse and interpret world conditions of economic, political and, social import, the more successful he is in developing the world market along profitable enduring lines. In the days of globalization, no economy can stand alone and immune from the developments in the abroad sector. India is, therefore, legitimately affected by what happens in the rest of the world. The international transmission effect is speedier, more substantial than ever before. International economic relations between India and other countries have been working through trade, payments technology transfer, joint ventures and the like.

**Index Terms - Corporate Social Responsibility(CSR), Corporates, Public Sector Banks, GATT, WTO.**

### Introduction

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

CSR is a concept with many definitions and practices. The way it is understood and implemented differs greatly for each company and country. Moreover, CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contribution to economic development. Whatever the definition is, the purpose of CSR is to drive change towards sustainability.

Although some companies (including MNC in India) may achieve remarkable efforts with unique CSR initiatives, it is difficult to be on the forefront on all aspects of CSR. Considering this, the Paper, below provides good practices on one aspect of CSR – environmental sustainability.

### Objectives:

- To provide interrelationship between CSR and relevancy in trade (business)
- To provide interrelationship between WTO /various regional trade blocks with trade and CSR.
- Importance of CSR in business (trade)

**Meaning of CSR :**

Concept of CSR focuses on the idea that, apart from making profit companies(firms) should have social obligations. It is core responsibility of various firms to have overall positive impact on society as well as country.CSR is pursued by various companies including MNC's to balance their economic,socialaswellas their social obligations towards various stake holders. Stake holders meaning shareholders,Government,Consumers,employees,debtors, creditors, society etc.CSR is the continuing commitment by business to behave ethically and contribute towards economic development of society at large such as peace ,sustainable development etc. Need of Corporate Social Responsibility arises due to following factors:

1. Statutory provision of law: In our country, India, Strict provisions of CSR is made for Corporates doing business in India. Statutory provisions are passed that for eg. Corporate have to spend 2% of their profits after CSR , if profits is more then stipulated amount.
2. To fulfil long term self interest: for eg various corporate including MNC's are having long term self interest of doing business in respective country. They adopt various means to increase international trade (mainly exports)
3. To have better public image: To have positive impact on public(prospective customers) various corporate always thrive for improving public image through various means.eg. maintenance and beautification o f public property.
4. To avoid strict action of Government and law prevailing in respective country:eg WTO and variousinternational as wellas regional trade organisations thrive for that.
5. To avoid wastage of National resources and economic power: wastage of resources if avoided will lead to increase profits and better public image. eg Country like India is always having scarce resources (financial as well as economic)
6. To set suitable example before corporate world: Again having economic gain as their long term vision .eg In expectation of better profit.
7. To have Sustainable development: various corporates including MNC's always aim at sustainable development ( in fear of trade regulations).Sustainable development also has better interest for future generation eg. Some MNC's have bad record regarding sustainable development score, In India.

CSR is also practised widely by financial Institutions like banks and NBFC's to increase their image in market as well as goodwill in International market.

Thus CSR is continuing commitment by various corporates to behave ethically and contribute towards improving quality of life of their workforce and society. CSR is also having positive impact on goodwill of concerned corporate. CSR is also closely linked with principles of sustainable development., which argues that various corporates should not take decisions based on financial factors but also based on immediate as well as long term social and environmental consequences of their business activities i.e. integration of public interest with sustainable development.

Common Policies under CSR for Corporates can as under:

1. Commitment to diversification and barring discrimination in hiring process of employees: There should not be discrimination eg. male and female candidates in HR hiring policies. Discrimination of any kind should not be tolerated .If this discrimination is avoided , it will lead to better trade practice.
2. Adoption of Audit controls: To prevent accounting frauds and scandals eg in wake of Enron and other financial scandals.
3. Corporates department view employees as assets rather than costs: At present, almost all firms view their employees as assets and not cost.
4. Adoption of better policies that exceed compliance of environmental and social laws: Corporates adopt better policies that avoid many times avoid government interference.
5. Adoption of better resource productivity: firms adopt more productive and recycle most of their resources and have their own contribution towards economic development of respective country.eg. corporates also go for product recycling.
6. Taking responsibility on behalf of employees when goods are produced directly or internationally under contract eg. In case of MNC's domestically or in foreign country.
7. View of employees: Almost all corporates having CSR policy are having view of their employees regarding decision making process for product manufacturing.View of employees is very important for them (corporate)

Moreover ,corporates including MNC's are obliged to follow SA-8000(Social Accountability-8000) norms under which ,corporates are obliged to follow better human rights for their employees,described by International labour Organization. The requirements under law are applicable disregard of geographic location or any country. The heart of this regulation is HUMAN RIGHTS should not be violated by any corporate and that management is prepared to accept accountability for this.foreg. Child labour and working under inhuman conditions should be prevented.

Each company differs how it implements it CSR policies. It depends on many factors such as Corporatesize,culture and commitment of its top management board.Below are some factors:

1. Mission,Vision And Value Statements of firm.
2. Cultural Values of respective region or country.
3. Management Structures of Company.
4. Strategic planning of Company.
5. General Accountability towards different stake holders.
6. Employees recognition for achievements and rewards.
7. Better education and efficient communication and Training of employees.
8. CSR reporting to various regulatory bodies.

**Relationship between International/Regional Trade Promotion Agencies and Trade:**

To succeed in exporting/International trade, exporter must first identify the most profitable international markets for his products or services. Without proper guidance and assistance, however, this process can be time consuming and costly -- particularly for a small business.

The Indian Government, state governments, trade associations, exporters' associations and foreign governments offer low-cost and easily accessible resources to simplify and speed your foreign market research.

Following are International Trade Promotion Agencies, which promote International trade:

**WTO (World Trade Organization)**

WTO is important mile stone in development and progress of International trade between different countries of the world. WTO is located at Geneva (Switzerland). WTO was established on 1 January 1995 (after Uruguay Round). At Present 164 countries are members of WTO (as on 29 July 2016). The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between countries. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading countries and ratified in their parliaments. The goal is to ensure that trade flows as smoothly, predictably and freely as possible between different countries.

**Key Features :**

- *The WTO has many roles:* it operates a global system of trade rules, it acts as a forum for negotiating trade agreements, it settles trade disputes between its member countries and it supports the needs of developing countries also.
- *All major decisions are made by the WTO's member governments:* either by ministers (who usually meet at least every two years) or by their ambassadors or delegates (who meet regularly in Geneva, Switzerland).
- A number of simple, fundamental principles form the foundation of the *multilateral trading system between different countries.*
- *The primary purpose* of the WTO is to open trade for the *benefit of all.*
- WTO has very important place in world trade. The WTO has over 160 members representing 98 per cent of world trade. Over 20 countries are seeking to join the WTO.
- To join the WTO, a *government has to bring its economic and trade policies in line with WTO rules* and negotiate its terms of entry with the WTO membership.

The WTO works with a number of other international governmental organizations under the banner of "coherence", a term originating in the "Decision on achieving greater coherence in global economic policy-making", which ministers agreed in, April 1994. But coherence in global economic policy-making goes much beyond the WTO's formal and specific cooperation arrangements with the IMF and the World Bank. Indeed, it is now recognized that the WTO system is only one part of a much broader set of international rights and obligations that bind WTO Members. The WTO maintains extensive institutional relations with several other international organizations; there are some 140 international organisations that have observer status in WTO bodies. The WTO also participates as observer in the work of several international organizations. In all, the WTO Secretariat maintains working relations with almost 200 international organisations in activities ranging from statistics, research, standard-setting, and technical assistance and training. Although the extent of such cooperation varies, coordination and coherence between the work of the WTO and that of other international organizations continues to evolve so as to assist Members in the operation of their economic policies. But WTO functioning is also not free, developed countries like USA dominate functioning of WTO. To counter/improve functioning of WTO many developing countries including India have formed BRICS association to foster International trade.

**Activities/Functions of WTO**

- a) **Reviewing Member Nations' Trade Policies:** Surveillance of the national trade policies of WTO member nations is a fundamentally important activity running throughout the work of the WTO. At the center of this work is the Trade Policy Review Mechanism (TPRM), which reviews trade development between different countries. Reviews are conducted on a regular, periodic basis. The four biggest traders—the European Union, the United States, Japan and Canada—are examined approximately once every two years. The next 16 countries in terms of their share of world trade are reviewed every four years; and the remaining countries every six years, with the possibility of a longer interim period for the least-developed countries.
- b) **Settling Trade Disputes:** The WTO also functions to settle trade disputes between different member countries. Indeed, one of the goals of the WTO is to dissuade members from taking unilateral action against perceived violations of the trade rules and to instead seek recourse in the multilateral dispute settlement system and to abide by its rules and findings. Unlike the situation in a TPRM review, where a nation's overall trade policy is examined, a trade dispute between member nations usually involves the legality of a particular trade policy or practice. Which one member nation, the complainant, has called into question.
- c) **Training and Technical Instruction to Developing Countries:** The WTO Secretariat has also continued GATT's (former name of WTO organization) program of training courses. These take place in Geneva twice a year for officials of developing countries. Since their inception in 1955 and up to the end of 1994, the courses have been attended by nearly 1400 trade officials from 125 countries and 10 regional organizations. Beginning in 1991, special courses have been held each year in Geneva for officials from the former centrally-planned economies in transition to market economies. The Center's help is freely available to the least-developed countries. Since the beginning, GATT/WHO has trained more than 1,700 officials from developing countries.
- d) **Participation in Global Economic Policy-Making:** An important aspect of the WTO's mandate is to cooperate with the International Monetary Fund, the World Bank and other multilateral institutions to achieve greater coherence in global economic policy-making.
- e) Although the original agenda (established at a GATT meeting in Punta del Este, Uruguay in 1986) made no mention of a world trade body, a draft for such an organization was put forth in 1991 and quickly gained interest among many

members for establishing such an organization. WTO functioning is not beyond any bias, to avoid bias other international trade organizations like BRICS are operating in the world.

### **IMF(International Monetary Fund)**

The IMF was established in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States. The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other. IMF is having 189 member countries.

The IMF's responsibilities: The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.

#### **Functions/Activities:**

IMF's fundamental mission is to ensure the stability of the international monetary system. It does so in following ways: keeping track of the global economy and the economies of member countries; lending to countries with balance of payments difficulties; and giving practical help to members.

- **Surveillance:** The IMF oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this process, which takes place both at the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.
- **Lending:** The IMF provides loans to member countries experiencing actual or potential balance of payments problems to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.
- **Fiscal Policy :** Helping governments better mobilize revenues and effectively manage expenditure, via tax and customs policies, budget formulation, public financial management, domestic and foreign debt, and social safety nets. This enables governments to maintain fiscal sustainability, enhance infrastructure such as schools, roads and hospitals, improve social safety nets, and attract greater investments.
- **Monetary and Financial Sector Policies :** Working with central banks to modernize their monetary and exchange rate frameworks and policies – and with financial sector regulators and supervisors to strengthen financial systems and banking supervision. This helps improve macroeconomic and financial stability in the country, fueling domestic growth and international trade.
- **Legal Frameworks :** Aligning legal and governance frameworks to international standards so countries can develop sound fiscal and financial reforms, fight corruption and combat money laundering and terrorism financing.

### **UNCTAD (United Nations Conference on Trade and Development)**

UNCTAD is a permanent intergovernmental body established by the United Nations General Assembly in 1964. UNCTAD headquarters are located in Geneva, Switzerland, and have offices in New York and Addis Ababa. UNCTAD is part of the UN Secretariat. UNCTAD reports to the UN General Assembly and the Economic and Social Council but has its own membership, leadership, and budget. UNCTAD is also part of the United Nations Development Group.

#### **Functions/Activities:**

Globalization, including a phenomenal expansion of trade, has helped lift millions out of poverty. But not nearly enough people have benefited. And tremendous challenges remain.

support developing countries to access the benefits of a globalized economy more fairly and effectively. And UNCTAD help equip them to deal with the potential drawbacks of greater economic integration. To do this, UNCTAD provides analysis, facilitates consensus-building, and offers technical assistance. This helps them to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development.

Working at the national, regional, and global level, our efforts help countries to:

- Comprehend options to address macro-level development challenges
- Achieve beneficial integration into the international trading system
- Diversify economies to make them less dependent on commodities
- Limit their exposure to financial volatility and debt
- Attract investment and make it more development friendly
- Increase access to digital technologies
- Promote entrepreneurship and innovation
- Help local firms move up value chains
- Speed up the flow of goods across borders
- Protect consumers from abuse
- Curb regulations that stifle competition
- Adapt to climate change and use natural resources more effectively

Together with other UN departments and agencies, we measure progress by the Sustainable Development Goals, as set out in Agenda 2030.

UNCTAD also supports implementation of Financing for Development, as mandated by the global community in the 2015 Addis Ababa Agenda, together with four other major institutional stakeholders: the World Bank, the International Monetary Fund, the World Trade Organization, and the United Nations Development Programme.

Regional Economic Groups are also formed to foster (encourage) trade between different countries, such as:

**EU(European Union)**

This was originally established as European Common Market by the treaty of Rome in 1957 & came into operation in 1959. European Union (EU), international organization comprising 28 European countries and governing common economic, social, and security policies. Originally confined to western Europe, the EU undertook a robust expansion into central and eastern Europe in the early 21st century. The EU's members are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. The EU was created by the Maastricht Treaty, which entered into force on November 1, 1993. The treaty was designed to enhance European political and economic integration by creating a single currency (the euro), a unified foreign and security policy, and common citizenship rights and by advancing cooperation in the areas of immigration, asylum, and judicial affairs. The EU was awarded the Nobel Prize for Peace in 2012, in recognition of the organization's efforts to promote peace and democracy in Europe.

The association has advanced to the extent of removing most trade barriers & allowing free movement of persons and goods within the union. They have also established a European parliament for which members are selected from each country on a proportionate basis & are given powers to legislate many issues which are then ratified by the governments. They have a common currency which is the Euro.

**ASEAN (ASSOCIATION OF THE SOUTH EAST ASIAN NATIONS)**

ASEAN, in full Association of Southeast Asian Nations, international organization established by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand in 1967 to accelerate economic growth, social progress, and cultural development and to promote peace and security in Southeast Asia. Brunei joined in 1984, followed by Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. The ASEAN region has a population of more than 600 million and covers a total area of 1.7 million square miles (4.5 million square km). ASEAN replaced the Association of South East Asia (ASA), which had been formed by the Philippines, Thailand, and the Federation of Malaya (now part of Malaysia) in 1961. Under the banner of cooperative peace and shared prosperity, ASEAN's chief projects centre on economic cooperation, the promotion of trade among ASEAN countries and between ASEAN members and the rest of the world, and programs for joint research and technical cooperation among member governments.

Held together somewhat tenuously in its early years, ASEAN achieved a new cohesion in the mid-1970s following the changed balance of power in Southeast Asia after the end of the Vietnam War. The region's dynamic economic growth during the 1970s strengthened the organization, enabling ASEAN to adopt a unified response to Vietnam's invasion of Cambodia in 1979. ASEAN's first summit meeting, held in Bali, Indonesia, in 1976, resulted in an agreement on several industrial projects and the signing of a Treaty of Amity and Cooperation and a Declaration of Concord.

The end of the Cold War between the United States and the Soviet Union at the end of the 1980s allowed ASEAN countries to exercise greater political independence in the region, and in the 1990s ASEAN emerged as a leading voice on regional trade and security issues. For example, ASEAN adopted a declaration to resolve disputes in the South China Sea, promoted dialogue on regional security by establishing the ASEAN Regional Forum, and worked to resolve the conflict in East Timor. In 1992 members reduced intraregional tariffs and eased restrictions on foreign investment by creating the ASEAN Free Trade Area.

**SAARC(SOUTH ASIAN ASSOCIATION FOR REGIONAL COOPERATION)**

The South Asian Association for Regional Cooperation (SAARC) was established with the signing of the SAARC Charter in Dhaka on 8 December 1985. SAARC comprises of eight Member States: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The Secretariat of the Association was set up in Kathmandu on 17 January 1987.

The objectives of the Association as outlined in the SAARC Charter are:

- To promote the welfare of the peoples of South Asia and
- To improve their quality of life; to accelerate economic growth,
- social progress and cultural development in the region and
- to provide all individuals the opportunity to live in dignity and
- To realize their full potentials; to promote and strengthen collective self-reliance among the countries of South Asia;
- To contribute to mutual trust, understanding and appreciation of one another's problems; to promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields; to strengthen cooperation with other developing countries; to strengthen cooperation among themselves in international forums on matters of common interests; and to cooperate with international and regional organizations with similar aims and purposes.

Decisions at all levels are to be taken on the basis of unanimity; and bilateral and contentious issues are excluded from the deliberations of the Association.

**NAFTA(North American Free Trade Agreement)**

In 1994, the North American Free Trade Agreement (NAFTA) came into effect, creating *one of the world's largest free trade zones* and laying the foundations for strong economic growth and rising prosperity for Canada, the United States, and Mexico. Since then, NAFTA has demonstrated how free trade increases wealth and competitiveness, delivering real benefits to families, farmers, workers, manufacturers, and consumers.

The North American Free Trade Agreement, which eliminated most tariffs on trade between Mexico, Canada and the United States, went into effect on Jan. 1, 1994. *NAFTA's purpose is to encourage economic activity between North America's three*

major economic powers(North America, Canada & Mexico) Numerous tariffs, particularly those related to agriculture, textiles and automobiles, were gradually phased out between Jan. 1, 1994 and Jan. 1, 2008.

President Trump campaigned on a promise to repeal NAFTA and other trade agreements he deemed unfair to the United States, and on August 27, 2018, announced a new trade deal with Mexico to replace it. The U.S. - Mexico Trade Agreement, as it is called, will maintain duty free access for agricultural goods on both sides of the border, and eliminate non-tariff barriers while encouraging more agriculture trade between Mexico and the U.S. Congress needs to vote to approve the trade agreement which would effectively replace NAFTA. Meanwhile, the U.S. and Canada continue to work on a revised trade agreement of their own. Thus various International and regional trade blocs are formed to enhance trade and better CSR in business (trade). Better CSR Practice will only increase revenue for the firm/domestic corporate or MNC.

#### Conclusion:

Better CSR Practices will only improve goodwill and image of Corporate (domestic or MNC). At present, many Financial Institutions/NBFC's/Domestic Corporates/MNC 's have better CSR Practices in their trade/business to increase their revenue. Nowadays, many nationalized banks in India have created their individual brand image in the field of Corporate Social Responsibility (CSR) by taking various social initiatives in the era of social welfare and community development. The catalytic contributions made by nationalized banks for economic growth in India have created their separate entities towards financial growth. Moreover, all above International/Regional Trade Promotion Councils discussed are having their own Contribution towards CSR in different countries.

Currently, CSR combined with Corporate Governance is buzzword of modern trade/business.

*Recent Developments: With escalation of Trade war between USA and China, CSR should not be harmed or Damaged.*

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