

# Poverty Alleviation through Corporate Social Responsibility: The Case of Legal Approach in Asian Countries

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## 1. Introduction

The nexus between the poverty alleviation and the Corporate Social Responsibility (CSR) is a rather difficult one due to the voluntarily nature of CSR. There exist plenty of debate and paucity of evidence on practices that allow alleviating poverty as an outcome of corporate action. For instance, it is still part of the debate whether and under which legal and normative setting should corporations be compelled to replace the historical functions of political economy and government including the poverty alleviation?

Are there any previous success stories? Both governments and corporations search for viable models and tradeoffs between various practices so that a smooth complex of institutional ethics is achieved within the umbrella term of CSR. Hence the present research tries to answer the question on the possible theoretical and empirical (practice driven or case deduced) basis of CSR in poverty alleviation by describing the case of India, China, Pakistan and Bangladesh.

## 2. Literature and Theories

There exists plenty of literature on various approaches to CSR and the literature on the political approach to CSR has identified a series of answers to the question of how MNCs are able to create their legitimacy and influence against the backdrop of state interventions the economic and political institution. Most of the theoretical and ethical paradigms are rooted in this debate. The conformist view of companies favors the use of institutional theory as it explains how companies respond to institutional pressures and institutional interdependence (George et al, 2016). The institutional theory conceives CSR as an institution in itself and using sociological concepts such as value consensus and interdependence within functionalist framework.

Similarly there exist more utilitarian accounts of possible role of MNCs termed as Rawlsian perspective, which allows the firms to evaluate the options for creating maximum value for itself and for the society; others include legitimacy theory which justifies the political role of MNCs as a strategic endeavour to create coherence between norms of the society and corporate objectives (George et al, 2016). The work of Crane et al (2004) justifies the need of democratic participation of stakeholders in the business of firms and in the process of creating value, this notion is conceptualized as stakeholder theory<sup>1</sup> and it advocates the instilling of new institutions.

These developments have followed by a series of pro-poor initiatives in by the MNCs and even the local firm that include the wage stability, provision of goods and services to the low income consumers (Jamali et al, 2018), preventing and managing environmental effects of business (Jamali et al, 2017). One potential way to conceptually define CSR with its relation to poverty relation is the binary notion of internal and the external CSR. While the internal CSR is aimed at

reducing the poverty among the employees of an organization by means of internal policies such as benefits and rewards as well as pay and job protection; the external CSR rather focuses on the relationship of the business with external environment and actions such as public-private partnership (Jamali et al, 2017).

The pro-poor policies of the firms are not always a result of intrinsic goodness of the firms whereby it behaves in an altruistic fashion; in fact, it can be sometimes guided by well-calculated and planned outcomes related to the profit motivation and the performance of the firm (Jamali et al, 2017). Previous research has demonstrated a clear association between the performance of a firm and its engagement with pro-poor strategic goals (Medina-Muñoz, and Medina-Muñoz, 2020). In fact, the research literature relates pro-poor policies with the outcome such as firm's goodwill, its branding loyalty, and satisfaction of the consumer (Moiescu, 2018). Similarly, the internal component to the pro-poor CSR may produce employees with higher level of satisfaction and retention (Khairat and Maher, 2016). As it is elaborated in the institutional theory of CSR, the firm must go an extra mile beyond performing its duties towards the social impacts, costs of business or "social license" to penetrate in the social structure and coping with the norms and values of the people and places (Lobel , 2013).

The external drives of CSR are dominated by the maxims of legitimacy theory, institutional theory and stakeholders' theory. Some of the critical reflections on CSR relate the external CSR as a way of gaining legitimacy of the authorities and policy makers rather than the poor themselves. A firm's overall contribution to the poverty alleviation may also be effected by the economic sector and the nature of the firm (local or MNCs) while the local firms are likely to adopt an internal perspective the MNCs are more favorable for an external CSR aimed at wider positive outcomes for the community at large (Medina-Muñoz, and Medina-Muñoz, 2020).

## **2.1. Research Question**

*"How state intervention through legal activism and creation of legislations have affected the nature and outcome of CSR in the subject countries"?*

## **3. Doctrinal Research Design**

The present research is also based on the doctrinal research principals in the sense that the researcher will have to reflect on the situation of various institutional and supra-institutional reports and legislations to make sense of the CSR against the backdrop of poverty. Recent years have seen a great challenge of Covid-19 pandemic and the economic shut down has furthered the relative poverty by depreciating the currency and reducing the purchasing power of the rural and the urban poor. What has been the role of legislation, regulation and protectionism by the state in regulating the popular economic sector of garments and its related industries such as cotton production and spinning mills. In this case, the doctrinal approach seems to be a very suitable one because the researcher has opted for the systematic review of various policy documents, the analysis also relies heavily on the reports generated by the companies and industrial giants and secondary analysis of the policy documents.

### **3.1. Use of Systematic Search and Reviews**

To be able to conduct a doctrinal research on the role of CSR and its related legislation and judicial pronouncements on the pro-poor action by the multinational companies and industrial

giants of the garment sector; the researcher has intended to apply a systematic review of the literature found on this subject. In the systematic review literature that has been critically reviewed can be divided into various categories:

- Legal statutes and regulations
- Judicial pronouncements and decisions
- Self-disclosure reports by the industry
- Policy analysis on pro-poor policies
- Newspaper articles\

#### **4. Possible Implications**

The study will help finding how corporations are being effected and affect the poverty and pro-poor initiatives in the selected Asian countries and what are the theoretical basis of the same practices. On the basis of present research the researcher can make recommendations for the community of practitioners such as public policy makers but also the managers and legal institution.

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