CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

Abstract

Corporate Social Responsibility (CSR) represents a company's commitment to societal and environmental well-being, extending its focus beyond profits to positively impact communities, sustainability, and ethical practices.

In today's world, businesses are expected to do more than just generate profits. Corporate Social Responsibility (CSR) is the concept that companies have a responsibility to contribute positively to society and the environment, not just their shareholders. This goes beyond simple philanthropy, but rather involves integrating social and environmental considerations into core business operations.

The concept of CSR has evolved over time, driven by changing societal expectations and growing awareness of environmental challenges. Key elements of CSR include the Triple Bottom Line, which emphasizes economic, social, and environmental performance; Stakeholder Theory, considering the interests of employees, customers, communities, and investors; and Ethical Concerns, ensuring responsible and sustainable practices.

Historically, CSR has taken different forms. Early on, it was primarily about philanthropy by wealthy individuals. Later, companies began focusing more on their employees and communities. In recent years, globalization and environmental concerns have led to a more strategic approach, where CSR is integrated with business strategies for shared value creation.

In India, CSR has seen significant development over the past few decades. The Companies Act of 2013 mandated that certain

Author

Dr. Archana Patil
Assistant Professor
IMCC
Maharashtra, India.

companies spend 2% of their average net profits on CSR activities, focusing on areas like poverty alleviation, education, healthcare, and environmental sustainability. This has led to a surge in CSR initiatives, with companies recognizing the benefits of responsible practices.

The benefits of CSR are numerous. For businesses, it can enhance reputation, attract and retain talent, boost employee morale, and open doors to new markets. For society, it can lead to improved social well-being, community development, and environmental protection. Overall, CSR is a win-win situation for businesses, society, and the environment.

By understanding and embracing CSR, companies can move beyond a profit-driven model and become responsible citizens of the world, contributing to a more sustainable and equitable future.

Keywords: CSR, Environmental Performance, Importance & Significance, Social And Environmental Movements, Stakeholders Engagement.

I. A CONCEPTUAL BACKGROUND OF CSR

CSR is a concept that refers to the ethical, social, and environmental responsibilities that businesses and organizations have towards society beyond their primary goal of profit generation. It involves a commitment to operating in a manner that benefits not only the company's shareholders but also its stakeholders including employees, customers, communities and environment. The concept has evolved over time and is influenced by societal, environmental and geo-economic factors.

Key Mantras and elements of conceptual background of CSR are:

- **Triple Bottom Line:** This concept suggests that businesses should be accountable for three bottom lines: economic, social, and environmental performance. Instead of solely focusing on financial profits (the economic bottom line), CSR also emphasizes the importance of social impact (the social bottom line) and environmental sustainability (the environmental bottom line).

- **Stakeholder Theory:** This theory argues that businesses are accountable not only to their shareholders but also to a broader set of stakeholders who can be affected by or can affect the company's actions. These stakeholders include employees, customers, suppliers, local communities, regulators, and more.

- **Ethical Concerns:** CSR is closely tied to ethical considerations. Companies are expected to behave ethically, adhere to legal standards, and go beyond compliance by engaging in actions that benefit society. This might involve fair treatment of employees, avoiding exploitation of resources, and supporting human rights

- **Sustainability and Environmental Impact:** Environmental sustainability is a core aspect of CSR. Companies are expected to minimize their negative impact on the environment, reduce carbon emissions, conserve resources, and promote sustainable practices throughout their operations and supply chains.

- **Community Engagement:** Companies are encouraged to engage with and contribute positively to the communities in which they operate. This can involve supporting local charities, investing in community development projects, and addressing societal issues.

- **Transparency and Accountability:** Transparency involves being open about the company's actions, intentions, and performance. Accountability entails taking responsibility for the consequences of business activities and decisions.

- **Globalization:** In an increasingly interconnected world, companies' actions can have far-reaching impacts. CSR takes into account the global context and the potential consequences of business activities on a global scale.

1. **Meaning of CSR Concept:** CSR is a dynamic and evolving concept, shaped by changing societal expectations, environmental concerns, and ethical considerations. While CSR

activities can provide various benefits, including improved reputation, enhancing employee morale, and increased customer loyalty.

Globalization has made the sphere smaller, and business, worldwide, is escalating like never before in past. Companies are mounting their operations and crossing geographical and virtual boundaries. Indian companies too have made their approach into the business boom and are present globally acknowledged as major players. India economically and politically is currently amongst the fastest emergent countries across the world strategies.

2. **Definition of CSR:** Corporate Social responsibility can be defined as the commitment of businesses and organizations to operate ethically and contribute positively to society and environment beyond their core economic workforce.

    HowardBowen (1953) proposed a thought, "CSR refers to the obligations of businessmen to pursue those policies to make those decisions or to follow those lines of relations which are desirable in terms of the objective and value of our society".

    Milton Friedman, Nobel Laureate in Economist and author of numerous books wrote in 1970 inside the New York Times Magazine, that **"the social responsibility of business is to increase its profits"** and **"the business of business is business".** Thus realizing this testimonial represented an extreme scrutiny that the only social responsibility a law-abiding business has it to maximize profits for the shareholders, which were considered the only stakeholders or strategist for the corporation. However, occasion has given the phrase **'stakeholder'** wider connotations

3. **Theoretical Approaches of Corporate Social Responsibility:** Corporate Social responsibility (CSR) encompasses various theoretical approaches that guide companies in their ethical and societal responsibilities These approaches offer distinct frameworks for understanding and implementing CSR strategies. Here are some key theoretical perspectives:

    - **Stakeholder Theory:** This theory emphasizes considering the interests of all stakeholders, including employees, customers, communities, and shareholders. It asserts that long-term success relies on maintaining positive stakeholder relationships through responsible practices.

    - **Triple Bottom Line (TBL):** The TBL approach evaluates a company's performance based on economic, social, and environmental dimensions. It highlights the interconnectedness of financial success, social well-being, and environmental impact.

    - **Ethical Theories:** Utilitarianism, deontology, and virtue ethics guide ethical decision-making in CSR. Utilitarianism focuses on maximizing overall welfare, deontology on adhering to moral principles, and virtue ethics on developing virtuous Character traits.

    - **Institutional Theory:** This theory suggests that companies adopt CSR practices to conform to societal norms and gain legitimacy. Aligning with prevailing norms enhances a company's reputation and acceptance.

- **Strategic CSR:** This approach integrates CSR with core business strategy, creating shared value. By addressing societal needs through innovation, companies simultaneously drive social progress and economic growth.

- **Corporate Citizenship Theory:** This theory positions companies as active societal participants with ethical responsibilities to communities. It emphasizes positive contributions to social and environmental causes.

- **Shared Value Approach:** Developed by Porter and Kramer, this approach identifies opportunities where societal challenges intersect with business interests. Solving these challenges can lead to both societal benefits and economic gains.

4. **Importance & Significance of Corporate Social Responsibility (CSR):** Currently sustaining in challenging highly competitive and dynamic marketplace where the business practices are positioned with intercontinental standards which shows a great concern towards sustainable development through strategic management. MNC have CSR programs which are diverse from CSR strategies they go yonder obtaining proceeds majority of them are into philanthropy development. Organizations necessitate enlarging precious CSR Strategies that are united with business intention and craft direct and indirect benefits for the companies as well as society adhering with the norms set by government.

   CSR in India today has taken a radical flight. Government of India faces challenges in handling all the issues related to development yet if it does it shall be time overshadowing so the MNC should engage in recreation a significant role in sustain hand towards developing India. CSR holds significant importance for companies, society, and the environment. It goes beyond mere profit-making and legal obligations, and here are some key reasons why CSR is important:

   - **Enhanced Reputation and Brand Image:** Engaging in CSR initiatives can improve a company's reputation and brand image. Consumers and stakeholders are more likely to support and trust companies that demonstrate a commitment to ethical behavior and social well-being

   - **Stakeholders Engagement:** CSR fosters positive relationships with stakeholders, including customers, employees, investors, suppliers, and communities. By addressing their concerns and contributing to their well-being, companies can enhance engagement and loyalty.

   - **Long term Sustainability:** CSR contributes to a company's long-term sustainability by fostering responsible business practices. This can lead to better financial performance, improved resource management, and reduced negative impacts on the environment.

   - **Community Development:** CSR initiatives often focus on community development, including education, healthcare, infrastructure, and poverty alleviation. Such contributions help create sustainable and thriving communities, benefiting both society and businesses.

- **Ethical Leadership:** Engaging in CSR establishes a company as an ethical leader in its industry. This can influence other businesses to adopt responsible practices and contribute to the overall improvement of industry standards

- **Environmental preservation:** CSR encourages sustainable practices that reduce environmental impact. Companies adopting eco-friendly measures can contribute to addressing climate change, resource depletion, and other environmental challenges.

II. HISTORY AND EVOLUTION OF CSR: GLOBAL AND INDIAN PERSPECTIVE

History and evolution of Corporate Social Responsibility (CSR) have been shaped by changing societal expectations, economic conditions, and the recognition of the broader responsibilities of businesses. Both the global and Indian perspectives have witnessed significant developments in CSR practices over few years.

1. **Global Perspective of CSR:**

- **Early concept of Philanthropy and charity (19th Century):** The origins of CSR can be traced back to acts of philanthropy and charity by wealthy industrialists and entrepreneurs, such as Andrew Carnegie and John D. Rockefeller. These individuals donated to charitable causes, contributing to societal betterment.

- **Focus on Stakeholder welfare (20th Century):** In the mid-20th century, the concept of CSR began to evolve beyond charity. Companies started considering the welfare of various stakeholders, including employees, customers, communities, and shareholders. This marked a shift from a narrow focus on profit maximization to a more holistic approach.

- **Social and Environmental Movements(70's – 80's):** The civil rights movement, environmental concerns, and anti-apartheid activism prompted companies to address social and environmental issues. Laws and regulations started emerging to enforce responsible business behavior.

- **Globalization and Sustainability (early 90's):** The era of globalization and increased awareness of environmental sustainability led to a greater emphasis on CSR. Frameworks like the Global Reporting Initiative (GRI) and the United Nations Global Compact gained prominence, encouraging companies to report on their social and environmental performance.

- **Integration with Business Strategy:** In recent years, there has been a growing trend of integrating CSR with core business strategies. Concepts like "Creating Shared Value" have gained traction, highlighting the potential for businesses to create both economic and social value through their operations.

2. Evolution of Corporate Social Responsibility in Indian perspective:

- **Early Philanthropy and Tradition (Pre-Independence):** India has a long tradition of philanthropy and giving, with wealthy individuals and businesses contributing to social causes. However, these initiatives were often fragmented and disconnected from core business operations.

- **Post- Independence & Industrialization (1950 -1960):** With the process of industrialization after independence, companies began to recognize the need for social welfare and community development. The concept of "triple bottom line" (economic, social, and environmental) started gaining attention.

- **Government Regulations (1970 – 1980):** Duringthis period, the Indian government introduced regulations that mandated companies to allocate a certain percentage of their profits towards social welfare activities. This marked the formalization of CSR activities in India.

- **Growing Awareness and Voluntary Initiatives (1990-2000):** As the Indian economy liberalized, awareness of global CSR practices increased. More companies began to voluntarily engage in CSR activities, often focusing on education, healthcare, and rural development.

- **Company Act & Mandatory implementation of CSR (2013):** A significant milestone in Indian CSR history was the enactment of the Companies Act in 2013. The Act mandated that certain qualifying companies allocate a portion of their profits towards CSR activities, formalizing the integration of social responsibility into business operations.

- **Beyond Sustainability and Innovation (2020):** Indian companies are increasingly recognizing CSR as a strategic tool for achieving sustainable development, rather than a compliance obligation. Growing emphasis on innovation, partnerships, and technology-driven solutions to address complex societal challenges. The evolution of CSR in India has transitioned from traditional philanthropy to a more strategic and holistic approach. The introduction of mandatory CSR in the Companies Act marked a significant shift towards formalizing the role of businesses in contributing to social development.

Today, Indian companies are embracing CSR as an integral part of their operations, aiming to create positive and lasting impacts on society and the environment.

III. CORPORATE SOCIAL RESPONSIBILITY UNDER SEC.135 OF COMPANY ACT 2013

Section 135 of the Companies Act, 2013, in India, pertains to Corporate Social Responsibility (CSR) and outlines the requirements and obligations that certain companies must fulfill in terms of CSR activities

Companies falling under the following criteria are required to comply with the CSR provisions outlined in Section 135:

- Companies with net worth of Rs. 500 crore or more, or
- Turnover of Rs. 1000 crore or more or
- Net profit of Rs. 5 crore or more during any financing year.

Companies meeting the above criteria are required to spend at least 2% of their average net profits made during the three immediately preceding financial years on CSR activities. If a company fails to meet this obligation, it must explain the reasons for non-compliance in its annual report.

The Act provides a broad framework for permissible CSR activities, which includes but is not limited to:

- Eradicating hunger, poverty, and malnutrition
- Promoting education and vocational skills
- Ensuring gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating diseases and promoting healthcare
- Environmental sustainability and ecological balance
- Rural development projects
- Social business projects, among others

1. **Schedule VII Section 135:** Schedule VII of Company Act, 2013 Section 135 provides a list of activities that can be considered as part of Corporate Social Responsibility (CSR) initiatives under Section 135 of the Act. CSR activities can be undertaken by eligible companies to contribute to social and environmental causes. These activities are aligned with the broader goals of promoting sustainable development and social well-being.

   The activities mentioned in Schedule VII are indicative and not exhaustive. Companies have the flexibility to choose from these activities while formulating their CSR policies, and they can also propose activities that are aligned with the intent of Schedule VII and have a positive societal impact.

   The categories of activities mentioned in Schedule VII of the Companies Act, 2013

   - Eradicating hunger, poverty, and malnutrition
   - Promoting education, including special education and vocational training
   - Promoting gender equality and empowering women
   - Reducing child mortality and improving maternal health
   - Combating human immunodeficiency virus (HIV), acquired immune deficiency syndrome (AIDS), malaria, and other diseases.
   - Ensuring environmental sustainability, including conservation of natural resources and maintaining ecological balance.

- Employment-enhancing vocational skills
- Social business projects
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development.
- Rural development projects
- Slum area development

2. **Need of Corporate Social Responsibility (CSR) Law in India:** The need for a Corporate Social Responsibility (CSR) law in India, as embodied in Section 135 of the Companies Act, 2013, arises from several factors. This legal framework was introduced to ensure that businesses contribute positively to societal well-being beyond their core economic activities. Here are some reasons highlighting the need for CSR law in India:

- **Societal Impact:** Businesses have a significant impact on society, affecting employees, consumers, communities, and the environment. A CSR law ensures that this impact is positive and contributes to sustainable development.

- **Community Development:** Businesses often operate in specific communities. CSR activities enable them to actively participate in the development and upliftment of these communities.

- **Environmental Concerns:** Environmental degradation is a global challenge. CSR initiatives can promote sustainable practices, conservation, and mitigation of negative environmental impacts.

- **Stakeholder Engagement:** CSR fosters better relations between businesses and their stakeholders, including employees, customers, investors, and communities. Positive engagement enhances trust and loyalty.

- **Sustainable Business Practices:** CSR promotes the integration of social and environmental considerations into business strategies, leading to long-term sustainable practices.

- **Employee Engagement:** Employees are more motivated when they work for socially responsible companies. CSR initiatives can boost employee morale and contribute to a positive work culture.

3. **Benefits of CSR Activities:** Corporate Social Responsibility (CSR) activities offer a wide range of benefits for businesses, society, and the environment. Engaging in CSR goes beyond philanthropy; it fosters a positive impact on multiple levels. Here are some key benefits of CSR activities:

- **Enhanced Reputation:** Companies that actively participate in CSR initiatives build a positive reputation and are viewed as ethical, responsible, and committed to societal well-being. This reputation attracts customers, investors, and partners aligned with their values.

- **Employee Morale Retention:** Employees take pride in working for socially responsible organizations. CSR initiatives create a sense of purpose, job satisfaction, and a positive work environment, leading to higher retention rates and improved productivity.

- **Innovation:** CSR encourages companies to explore innovative solutions that address societal challenges. This drive for innovation can lead to the development of new products, services, and business models.

- **Financial Performance:** Companies with strong CSR performance often enjoy better financial performance in the long run. CSR can lead to increased customer loyalty, improved brand value, and reduced operational costs through sustainable practices.

- **Access to New Market Avenues and Segments:** Demonstrating commitment to social and environmental causes can open doors to new markets, especially among socially conscious consumers who prioritize ethically produced goods and services.

- **Social Impact:** The most direct benefit of CSR is the positive impact on society. CSR initiatives contribute to social causes such as education, healthcare, poverty alleviation, and environmental conservation, improving overall societal well-being.

- **Positive Social Relations:** Effective CSR initiatives often receive media coverage and positive attention, which helps in building strong public relations and a favorable image in the public's eye.

- **Mindful Ethical Leadership:** Companies practicing CSR set an example for the industry and inspire other businesses to adopt responsible practices, promoting ethical leadership and overall industry improvement.