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CORPORATE SOCIAL RESPONSIBILITY (CSR): A VITAL PILLAR OF SUSTAINABLE BUSINESS

NAIDU ANUJA DHANANJAY, PATIL MANISHA GANGADHAR

PROGRESSIVE EDUCATION SOCIETY'S MODERN LAW COLLEGE, PUNE

Corporate Social Responsibility (CSR): A Vital Pillar of Sustainable Business

"Businesses cannot be successful when the society around them fails."

ABSTRACT:

Corporate Social Responsibility (CSR) stands as a vital pillar of modern business, exemplifying a company's commitment to more than just profit. It reflects an organization's dedication to society and the environment, acknowledging its role beyond monetary gains. Through CSR initiatives, companies actively contribute to social causes, environmental sustainability, and community well-being. These endeavors foster goodwill, trust, and long-term success. Customers, employees, and stakeholders increasingly value and support businesses that prioritize CSR, recognizing that it's not just about what a company earns, but how it enriches the world around it. Embracing CSR is not only ethical but a strategic imperative in today's socially conscious global marketplace.

Keywords : Corporate Social Responsibility (CSR). Contribute, social causes. sustainability, goodwill, trust, long-term success, conscious global, ethical, strategic

A. Introduction

Corporate Social Responsibility (CSR) has become an increasingly significant aspect of business operations in recent years. It reflects a company's commitment to ethical and sustainable practices that go beyond profit generation. In this comprehensive guide, we will delve into the intricacies of CSR, exploring its definition, historical evolution, key components, benefits, challenges, and best practices. CSR has evolved from being a philanthropic gesture to becoming a strategic imperative for businesses across the globe. In this article, we delve into the significance of CSR, its evolution, and its role in shaping a more sustainable and ethical business landscape and also highlights provisions of Corporate Social Responsibility provisions under Company Act 2013.

B. Concept of Corporate Social Responsibility

Corporate Social Responsibility (CSR) is a concept that refers to a business or organization's commitment to act ethically and contribute to the well-being of society and the environment beyond its core business operations and profit generation. CSR involves voluntary initiatives and actions that go beyond legal and regulatory requirements. CSR, often referred to as corporate citizenship, This can encompass a wide range of actions, from philanthropic donations to adopting environmentally sustainable practices.

C. Evolution of Corporate Social Responsibility

CSR has a long history, with roots in the 18th century.The evolution of Corporate Social Responsibility (CSR) can be traced through several key stages in history, reflecting changing societal and business attitudes towards ethical and responsible business practices:

I. Early Philanthropy (Pre-20th Century): Before the 20th century, business engagement with social and environmental issues was primarily characterized by philanthropic activities. Many wealthy industrialists and entrepreneurs donated to charitable causes, often in a relatively unstructured manner.

II. Emergence of CSR as a Concept (20th Century) The modern concept of CSR began to take shape in the early to mid-20th century. Notably, in 1953, Howard R. Bowen published "Social Responsibilities of the Businessman," one of the first books to explicitly address the ethical responsibilities of businesses beyond profit.

III. 1970s-1980s: Focus on Ethics and Environmental Concerns: The 1970s saw a heightened focus on ethical concerns, particularly in response to issues like discrimination and pollution. The environmental movement gained momentum, leading to increased scrutiny of corporate environmental practices.

IV. 1990s: Rise of Triple Bottom Line: John Elkington introduced the concept of the "triple bottom line" in 1994, emphasizing the need for businesses to consider not only profits but also their social and environmental impacts. This marked a shift towards more comprehensive CSR strategies.

V. 21st Century: Formalization and Integration: In the 21st century, CSR has become more formalized and integrated into business practices. Companies started developing sustainability reports and embraced the idea of Corporate Sustainability. There was a growing emphasis on the Environmental, Social, and Governance (ESG) criteria, which investors and stakeholders used to evaluate a company's performance.

VI. Legislation and Regulation: Governments and international bodies have introduced various regulations and standards related to CSR. For example, the United Nations Global Compact, launched in 2000, encourages businesses to adopt sustainable and socially responsible policies. Many countries have also introduced legislation requiring businesses to report on their social and environmental impacts.

VII. Mainstreaming of CSR: CSR has moved from the periphery of business activities to the mainstream. Large multinational corporations increasingly integrate CSR into their core strategies, recognizing its importance in building reputation, attracting customers, and ensuring long-term success.

VIII. Focus on Sustainable Development Goals (SDGs): The United Nations Sustainable Development Goals, adopted in 2015, have become a guiding framework for CSR initiatives. Many businesses align their CSR efforts with these global goals, addressing issues such as poverty, climate change, and inequality.

IX. Technology and Data-Driven CSR: With the advancement of technology, CSR has become more data-driven. Companies use technology for transparent reporting, tracking ESG metrics, and engaging with stakeholders through digital platforms.

Today, it is considered a fundamental aspect of corporate strategy, influencing the way companies operate, make decisions, and engage with stakeholders to create a positive impact on the world.

D. Components of Corporate Social Responsibilities

CSR is not only seen as a moral and ethical responsibility but also as a way to enhance a company's reputation, attract and retain customers and employees, and create long-term value for shareholders. It has evolved from a noble ideal to a strategic business imperative in many industries.
Key Components of CSR.

a. Ethical Business Practices: Conducting business with integrity, honesty, and fairness, and adhering to ethical standards in all operations.
b. Environmental Sustainability: Implementing environmentally responsible practices to reduce the company's ecological footprint, such as reducing waste, conserving resources, and minimizing pollution.
c. Philanthropy and Community: Engagement:Supporting social and community initiatives through charitable donations, volunteering, and partnerships with non-profit organizations to address various societal issues.
d. Stakeholder Engagement: Involving and collaborating with various stakeholders, including employees, customers, suppliers, and local communities, in decisions related to CSR initiatives.
e. Transparent Reporting: Communicating CSR efforts, goals, and outcomes transparently to stakeholders, contributing to accountability and trust.

E. Benefits and Challenges of Corporate Responsibility

• Benefits of Corporate Social Responsibility
Corporate Social Responsibility (CSR) offers a wide range of benefits for businesses, society, and the environment. Some of the key benefits of CSR include:

I. Enhanced Reputation: Companies that engage in CSR activities tend to build stronger, more positive reputations. Consumers and stakeholders often prefer to support and invest in businesses that demonstrate a commitment to social and environmental responsibility.

II. Customer Loyalty: CSR initiatives can create a loyal customer base. Customers appreciate businesses that align with their values and are more likely to continue purchasing products or services from socially responsible companies.

III. Improved Employee Morale and Attraction: CSR can boost employee morale and attract top talent. Employees are often proud to work for a company that makes a positive impact, and CSR activities can contribute to a more engaged and motivated workforce.

IV. Innovation and Competitive Advantage: CSR can drive innovation. Companies that focus on sustainability and responsible practices often find creative solutions that lead to a competitive advantage. For example, improving energy efficiency can reduce costs.

V. Long-Term Financial Benefits: While CSR may involve upfront costs, it can lead to long-term financial benefits. Sustainable practices, such as reducing waste and energy consumption, can result in cost savings over time.

VI. Risk Mitigation: Companies that address social and environmental issues proactively are better positioned to mitigate risks. This includes reducing the risk of environmental fines, lawsuits, and reputational damage.

VII. Access to New Markets and Partnerships: CSR can open doors to new markets and partnerships. Some organizations require suppliers and partners to meet certain CSR criteria, making it essential for companies looking to expand their reach.

VIII. Positive Impact on Society and the Environment:, The primary goal of CSR is to make a positive impact on society and the environment. This includes addressing social issues, supporting community development, and contributing to sustainability efforts.

IX. Legal and Regulatory Compliance: Meeting CSR commitments can help companies comply with evolving legal and regulatory requirements. Some jurisdictions require businesses to report on their social and environmental impacts.

F. Challenges

Implementing Corporate Social Responsibility (CSR) initiatives can present several challenges for businesses. Some of the common challenges include:

a. Resistance from Stakeholders: Some stakeholders may be resistant to CSR initiatives, either because they perceive them as costly or because they prioritize short-term financial gains over long-term sustainability.

b. Financial Constraints: CSR initiatives often require upfront investments, and businesses may face financial constraints in allocating resources to such endeavors, especially smaller companies.

c. Measuring and Demonstrating Impact: Quantifying the impact of CSR efforts and providing clear, credible metrics can be challenging. Businesses must find ways to measure the social and environmental benefits they create.

d. Lack of Expertise:Implementing effective CSR strategies may require expertise in areas such as sustainability, ethical sourcing, and social impact. Smaller businesses may lack the in-house expertise needed for successful CSR initiatives.

e. Greenwashing: Some companies engage in "greenwashing," where they exaggerate or falsely claim their CSR efforts to enhance their image. This undermines trust and hampers genuine CSR initiatives.

f. Global Supply Chain Challenges: For companies with global supply chains, ensuring responsible and ethical practices throughout the supply chain can be difficult due to diverse regulatory environments and cultural differences.

g. Complex Regulatory Landscape: CSR is subject to an evolving and often complex regulatory landscape. Keeping up with changing laws and requirements can be challenging.

h. Limited Resources for Community Engagement: Engaging with local communities and addressing their unique needs requires time and resources, which can be a challenge for businesses with constrained budgets.

i. Short-Term Focus: Businesses may struggle to prioritize long-term sustainability over short-term financial gains, especially when pressured by quarterly earnings expectations.

j. Negative Public Relations: If a company fails to meet its CSR commitments or faces controversies, it can result in negative publicity and reputational damage.

k. Cultural and Geographic Differences: CSR practices and expectations vary across different cultures and geographic regions. Multinational companies must navigate these differences effectively.

l. Innovating for Sustainability: Implementing sustainable practices and developing environmentally friendly products or processes often require innovation, which can be resource-intensive.

m. Competing Priorities: Companies may have multiple competing priorities, and CSR can sometimes take a backseat to more immediate concerns.

n. Employee Resistance: Not all employees may be supportive of CSR initiatives, potentially leading to resistance or lack of enthusiasm among the workforce.

Overcoming these challenges requires a commitment to ethical and sustainable practices,

G. Provisions under Companies Act 2013

• The new Companies Act, 2013 makes it mandatory for every company havingequity/ net worth of rupees five hundred crore or more, or turnover /total revenues of rupees one thousand crore or more or a net profit/income of rupees five crore or more during any financial year, to spend, in every financial year at least 2% of the average net income / profits of the Company made during the three immediately preceding/previous financial years towards CSR activities. For this purpose, the net income / profit and average net profit/income shall be calculated in accordance with the provisions as provided under section 198 of the Act r/w the Companies (Corporate Social Responsibility Policy) Rules, 2014. Generally, companies meeting specific financial criteria must comply with CSR requirements.

• CSR Committee

Companies meeting the requirements as prescribed are required to constitute a CSR committee that includes at least three directors, with at least one independent director. If no independent director is appointed as provided under section 149 of the Act it shall have in its CSR Committee two or more directors The composition of the CSR Committee is to be make know/ disclosed in the Board's report under section 134(3)

• Role of the CSR Committee

• Implementation: CSR initiatives will be implemented by the Company either directly or through Govt. agencies & local bodies or through implementing partners which include Non Profit Organizations having an established track record of at least 3 years in carrying on the specific activity.CSR activities undertaken through other Executing Agency, the Company will specify the projects or programs to be undertaken through these agencies, the modalities of utilization of funds on such projects or programs.

CSR Policy: A company must formulate a CSR policy, which outlines the projects and activities to be undertaken in areas or subject, specified in Schedule VII of the Act

• Expenditure:

Companies are mandated to spend at least 2% of their average net profits over the three preceding financial years on CSR activities.

• Areas of CSR:

The law typically defines the categories of activities that qualify as CSR, including education, healthcare, poverty alleviation, and environmental sustainability

• Monitoring:

Companies must monitor and report on CSR activities. They must also disclose their CSR spending in their annual reports. Companies must ensure that they spend the required amount on CSR and report any deviations with explanations from time to time

• Impact Assessment:

Some regulations may require companies to assess and report the impact of their CSR activities. Companies may be encouraged to give preference to the local areas in which they operate for their CSR initiatives. Collaborative projects with other companies or entities can also be used to fulfill CSR obligations.

Penalties for CSR Under Companies Act 2013

• Penalty for violation of CSR provisions For Company: punishment with fine which shall not be less than Rs. 50,000 but which may extend to Rs. 25,00,000 For Officer in default: punishment with imprisonment for a term which may extend to three years or with fine which shall not be less than Rs. 50,000 but which may extend to Rs. 5,00,000, or with both Corrective Measures for violation of CSR provisions If the company has failed to make the necessary CSR disclosures in its Board's Report, it can by virtue of Section 131, prepare a revised report after obtaining approval of the Tribunal If the company fails to spend the threshold amount toward CSR activities, the Board has to, in its report made under Section 134 (3) (o), specify the reasons for not spending the threshold amount The unspent amount from the threshold limit of 2% to be transferred by the company to a special account to be opened for the purpose to be called the Unspent CSR Account, and such amount to be spent by the company in pursuance of its obligation towards the CSR Policy within a period of 3 years from the date of such transfer The company and its officers can make good the offence by applying for compounding of offence under as provided under section 441 of the Act.

H. Landmark Judgements for Corporate Social Responsibility

• Vedanta vs. Gram Sabha : In this case, the Supreme Court of India ruled in 2013 that the consent of local village councils (Gram Sabhas) is essential for the approval of mining and industrial projects in tribal areas. This judgment had significant implications for CSR in the context of tribal and environmental issues.

• Hindustan Unilever's Mercury Dumping Case: In 2017, the Kodaikanal mercury poisoning case involving Hindustan Unilever generated significant attention. The case prompted discussions on corporate accountability and CSR practices, leading to the company agreeing to a settlement.

• NHPC vs. State of Jammu and Kashmir : In this 2014 case, the Jammu and Kashmir High Court directed the National Hydroelectric Power Corporation (NHPC) to allocate funds for CSR activities in the region as a part of its corporate social responsibility.

• Indian Oil Corporation vs. State of Bihar : In 2018, the Supreme Court ordered the Indian Oil Corporation to pay Rs 1 crore for a tree plantation drive in Bihar as part of its CSR obligations.

I. Notable Work by Some Companies

Indian companies have made significant contributions to various industries and have been involved in notable projects and initiatives. Here are some examples of notable works by Indian companies:

1) Tata Group's Philanthropic Initiatives: The Tata Group is involved in various philanthropic activities, including the Tata Trusts, which focus on healthcare, education, and rural development in India. Its Computer Based Functional Literacy (CBFL) initiative for providing maximum adult literacy has already benefitted more than 1.2 lakh people. The program is available in 9 Indian languages. Besides adult education, TCS also works in the areas of skill development, health care and agriculture sectors.
2) Infosys Foundation's Education Initiatives: The Infosys Foundation, the philanthropic arm of Infosys, supports education, healthcare, and rural development, with a particular focus on improving education for underprivileged children.
3) Reliance Jio's Digital Transformation: Reliance Jio has played a major role in the digital transformation of India, providing affordable high-speed internet access to millions of people.
4) Adani Group's Renewable Energy Investments: The Adani Group is a major player in India's renewable energy sector, with a focus on solar and wind power projects.
5) HCL's "TechBee" Program: HCL's TechBee program offers opportunities for high school graduates to pursue careers in IT and provides them with training and job placements.
6) Wipro's Sustainability Efforts: Wipro has been recognized for its commitment to sustainability, including efforts to reduce its carbon footprint and promote green practices.
7) Bajaj Auto's Green Initiatives: Bajaj Auto has taken steps to reduce its carbon emissions and improve the environmental sustainability of its products.
8) Mukesh Ambani's Reliance Retail Expansion: Mukesh Ambani's Reliance Retail has undertaken significant expansion efforts in the retail sector, creating a large and diverse network of stores and outlets.
9) Mahindra Group's Electric Vehicles: Mahindra has been a pioneer in the development and promotion of electric vehicles in India. They also took initiative named Nanhi Kali, a programme runs by the KC Mahindra Education Trust, supports education of over 75,000 underprivileged girls. The trust has awarded grants and scholarships to 83,245 students so far. In vocational /Special training, the Mahindra Pride School provides livelihood /subsistence training to youth from socially and economically disadvantaged/weaker communities. M&M also works for causes related to environment, health care, sports and culture.
10) ICICI Bank's Inclusive Banking: ICICI Bank has been involved in various initiatives to promote financial inclusion and digital banking services in India.

J. Conclusion

Corporate Social Responsibility (CSR) is a vital business practice that fosters sustainability and ethical responsibility. It entails a company's commitment to address social and environmental concerns while ensuring economic success. CSR can enhance a company's reputation, build trust with stakeholders, and contribute to long-term profitability. By investing in philanthropy, sustainable practices, and ethical governance, companies can positively impact society and the planet. However, the effectiveness of CSR initiatives varies, and firms must genuinely embrace CSR, not merely as a PR tool. In conclusion, CSR is a powerful force for good when integrated authentically into a company's culture, aligning economic goals with societal and environmental responsibilities. It's a win-win strategy that benefits both businesses and the world.

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