

## **INDIA'S JOURNEY TOWARD SUSTAINABLE ENVIRONMENT DEVELOPMENT THROUGH CORPORATE SOCIAL RESPONSIBILITY**

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### **Introduction**

Corporate Social Responsibility (CSR) is one of the oldest concepts that have been existing for a long period. CSR in India received its legal platform by the virtue of Companies Act-2013 Section 135 from the financial year 2014. Before moving further, let us briefly understand the term corporate social responsibility. CSR is a very vast and complex concept with variations in meaning. In general, CSR is considered as the activities undertaken by the corporate sectors aiming at the welfare of the society. It can also be understood as the means of striking a balance between economic, environmental and social imperatives for a company.

### **Concepts and Definitions of Corporate Social Responsibility**

The term corporate social performance was first coined by Sethi (1975) then expanded by Carroll (1979) and later, furnished by Wartick and Cochran in 1985. However the credit to define CSR at the global level goes to Howard Bowen (1953) who highlighted the status and degree of responsibilities that business class should accept. Liberal thinker Milton Friedman defined the concept CSR in terms of owner's objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests (Urmila, 2012). CSR can be defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland Commission Report, 1987). It can also be defined as the balancing concept between ecology and development as stated by the Supreme Court in Vellore Citizen's Welfare Forum vs Union of India.

According to Johannesburg Convention (2002), both large and small companies have a duty to contribute for the evolution of equitable and sustainable societies. It also emphasized on the need for private sector corporations in enforcing corporate accountability. World Summit (2005) focused on the full respect for the existing labor, human rights and environmental commitments were reiterated. It also encouraged responsible

business practices as promoted by Global Compact. Global Compact deals with ten principles that a company must follow out of which principle 7 to 10 deals about the environment measures that need to be undertaken by the company.

Corporate social responsibility generally means that the corporate sectors and businesses must keep in mind the societal concerns and needs. And they must act responsibly towards the society in which they operate in order to work on their main goal of maximizing their shareholders' profit (Melikyan, 2010). The CSR and business ethic mostly focuses on capacity building, empowerment of communities, more inclusive socio-economic growth, environment sustainability, promotion of environmentally benign and energy efficient technologies, development of underdeveloped regions and upliftment of the marginalized, also the under-privileged sections of society (REC, 2013). World Business Council for Sustainable Development has defined CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities". The government of many countries came up together firmly in order to ensure that the ongoing developmental practices must remain in harmony optimally along with the environmental sustainability and as well as human security. But, it is not the responsibility of the government only but it also demands a proactive participation from the corporate and business world too.

### **Approach towards Corporate Social Responsibility in India**

In India, corporate social responsibility began in the form of charity and traditional philanthropy. It was predominantly influenced by Gandhian Ethical economic model. The Ethical model was followed by Statist model of Nehru and the Statist economic model emphasised on the ownership of the state. The model also emphasized on the legal requirements to decide the corporate responsibilities. After 1970, the Liberal model supported by Milton Friedman focused on adherence to the law and creation of the wealth. It

also focused on fulfilling the CSR through taxation and private charitable choices. The post-1990, the period experienced more direct engagement of corporate in mainstream development and concern for the disadvantaged sections of the society. This was evident from a sample survey conducted in 1984. It was reported that of the amount companies spent on social development was the largest sum i.e. 47 percent was spent through company programmes, 39 percent was given to outside organizations as aid and 14 percent was spent through company trusts (Prabhakar and Mishra, 2013). More importantly, the recently passed Companies Bill 2013 which replaced 1956 Companies Act has made CSR spending and reporting more stringent. The Bill makes the provision to constitute a Corporate Social Responsibility Committee of the Board for companies with having a specific profit layer. The Committee consists of three or more directors, out of which at least one director shall be an independent director (Ministry of Law and Justice, 2013). The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee (Ministry of Law and Justice, 2013). The clauses 134 and 135 of the Act specifies that companies with net worth more than Rs 500 crores, or turnover more than Rs 1000 crores, or net profit more than Rs 5 crores are required to constitute a CSR committee to formulate CSR policy for the company. Companies are now obligatory to spend a minimum of 2 percent of average net profit earned during preceding three years before formulation of the policy (Singh and Agarwal, 2013). Furthermore, Section VII of the Companies Bill has considerably widened the ambit of CSR activities which now includes:

- ✓ Poverty eradication
- ✓ Promotion of education, gender equality and women empowerment
- ✓ Reducing child mortality and improving maternal health
- ✓ Combating AIDS/HIV, malaria and other diseases
- ✓ Ensuring environmental sustainability
- ✓ Employment-enhancing vocational skills and social business projects
- ✓ Relief and funds for socio-economic development such as for welfare of SC/ST, OBCs, minorities and women.

Recent studies and surveys have shown that India's CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to

invest US\$ 67.5 million in 2010-11 on social and environmental causes. Similarly, NALCO has contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its CSR (Prabhakar and Mishra, 2013). India has been named among the top ten Asian countries for its emphasis on CSR disclosure norms. Business firms like, Reliance Industries, Tata Motors and Tata Steel have achieved admiration for their corporate social responsibility initiatives. Similarly, global business giant IBM has collaborated with the Tribal Development Department of Gujarat to facilitate development of tribal in the Sasan area of Gir forest (Prabhakar and Mishra, 2013). The entire structure of society is interconnected and interdependent. Corporate sector comprises of people, raw material, peaceful and enabled environment to sell their procured goods that are only available in the society. Recent surveys have also shown that consumers have preferred to buy those products which are more sensitive towards CSR. It is therefore in the best interest of the corporate sector in harmonizing personal interest with larger public interest for the greater welfare of society as well as corporate.

#### **CSR – Sustainability Model for India**

India is a middle income developing economy and it is one of the fastest growing in the world economy. There is an expanding business world in India along with corresponding CSR growth. The gradual disappearance of the green grace of nature is the consequence of modern development and India is also facing the problems of environment on a large scale. Pollution of air, water, soil, deforestation and desertification, acid rains and toxic wastes, climate change, global warming and ozone depletion cause hindrance to all types of business. Thus, the primary objective of any CSR initiative should be the protection of environment as it provides the fundamental resources in the form of raw materials.

Hence, the objective should be mitigating the impact of the worst eco – environmental and social problems in India while framing a model of CSR sustainability. Poverty, illiteracy, ill-health, terrorism and violence along with natural calamities hamper the smooth process of the business as a whole. For any business development, the precondition is a peaceful and harmonious society as it shall positively impact the progress and prosperity. The profits are the fruits of business trees are growing using the resources from the environment like soil, absorbing important nutrients of ethics, values, peace and harmony. Thus, educating the children and youth

is of utmost importance to achieve such objectives. Hence, on a similar note, the CSR spending on Education in 2018 by Indian companies was to the tune of Rs.2202 crore and it is spread from primary to higher education. As illiteracy is one of the curses of modern India, any spending on education is not enough. The standard of education imparted to the youth shall determine the level of research and development (R&D) in the country and in turn shall result in higher number of innovations, patents and economic development.

### **Need Based Model of Sustainability through CSR**

Although, stringent enforcement of CSR laws and legislation are very effective but has a very limited possibility to bring desired results in the available time frame. A model needed for sustainability through CSR must focus on the betterment of entire ecosystem at global level without which life would be not possible. Hence it has to be basically a survival-based resource stock assurance approach. In order to have a healthy ecosystem the model must focus on air quality assurance, water quality assurance, soil quality assurance, food quality assurance, minimum shelter assurance, decent dress assurance, health protection and promotion of education. Simultaneously, there is a need to sensitize corporate and business classes towards contributing for the development of such a culture that focuses on sustainable development and shows empathy towards nature and environmental vulnerable section of the society. The ideological apparatus remains a positive and constructive strategy ensuring greater compliance from the business houses or corporates toward achieving the goal of sustainable environment development and a more realistic and humanistic version of economic development. Non-governmental organizations along with the civil society and media must take part and play a pivotal role in this regard.

### **Conclusion**

CSR is a bridge that can connect production and profit with sustainability environment development. But, unless and until the supply of natural resources and peace in society prevail, progress of business and profit cannot be attained

and sustained. Hence business sustainability is directly related with environmental sustainability. There are sufficient laws focusing on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach but with a limited success rate. Hence, the stakeholders in businesses must become more transparent, interdependent, responsible and harmonious. The public sector enterprises of the country have one of the best CSR ranking in the world. Also, some of the private sector firms have equally earned praise for their efforts in the domain of education, health and welfare oriented schemes. Last but not the least; our political classes must become more sensitive towards the welfare of the common masses.

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