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# Indian Streams Research Journal



## A STUDY ON CORPORATE SOCIAL RESPONSIBILITY ROLE IN SUSTAINABLE DEVELOPMENT OF INDIA"



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### ABSTRACT

**S**ustainable Development and Corporate social responsibility are two of many terms used to describe the social and environmental aspects and consequences of business activity. The notion of sustainable Development lies in progress within three dimensions economic development, environmental protection and social cohesion. Sustainable and CSR principles are described as social progress that recognizes the needs of everyone; effective protection of the environment; prudent use of natural resources; and maintenance of high and stable levels of

economic growth and employment. The depletion of natural mineral resources is a major concern in the debate about sustainable development In the United States, India and Europe, for example, the recent economic crisis has led to calls for greater CSR in an era of perceived corporate financial excesses and recklessness. India is slated to be the world's biggest economy by 2050 (Armstrong, 2012). Such growth will come from rapid industrialization. India's economic growth has not translated to inclusive development for a large part of its population.

The paper is arranged in the following sections. The first section reviews the existing literature on the linkage between CSR and SD provides Background of SD and CSR in India and Current Trends and Status of Corporate Social Responsibility in India and The New Companies Act 2013 Mandating CSR Regulation, and Guidelines for All Companies in India. The second section provides Contribution of CSR to Sustainable Development goals comparing with CSR Practices enlisted in new Companies Act 2013.

**KEYWORDS** :Sustainable Indicators, Corporate Social Responsibility, Sustainable Development, New Companies Act, Guidelines of New Companies Act.

### **INTRODUCTION:**

In recent years, the discussion about sustainability has risen above average. In an international context, the number of articles focusing on these subjects has increased year by year and the terms Sustainable Development (SD) and Corporate Social Responsibility (CSR) have become popular. The number of publications is high, however, there does not exist a common definition, especially of CSR. Often no visible differentiation between these terms is made. This leads to a very broad and unspecified discussion about this topic, above all in economic science and business management. Both CSR and sustainable development are essentially contested concepts (Gallie, 1956) as their meaning is always part of debate about their application (Moon et al., 2004). This is because they are appreciative, internally complex and openly defined terms (Connolly, 1983). CSR and sustainable development are both 'appreciative' in that they are considered as valued and are not simply empirical concepts. Thus, no one covets a reputation for being 'socially irresponsible' or 'unsustainable'. It is considered a good thing for an organization or an activity to be esteemed as socially responsible or as manifesting sustainable development. As a result, there is a danger that organizations or activity are described in these terms simply for image-making purposes. The country is currently in the process of balancing its economic ambition with development that is sustainable and inclusive. This paper explores the linkage between Corporate Social Responsibility (CSR) and sustainable development (SD) in emerging economies India.

### **PROBLEM STATEMENT:**

Corporate social responsibility and Sustainable development used as synonymously despite of that in actual there are some line to distinction of both. Hence the researcher wants know the relationship between CSR and SD. Firstly know To reviews the existing literature on the linkage between CSR and Sustainable Development. And secondly to know the present trend of Corporate Social Responsibility in India and The New Companies Act 2013 Mandating CSR Regulation, and Guidelines for All Companies in India. finally understand the role of CSR in Sustainable Development of India by understanding the Contribution of CSR to Sustainable Development goals comparing What is to be Sustained and What is to be Developed with with CSR Practices enlisted in new Companies Act 2013.

### **OBJECTIVE OF THE STUDY:**

To reviews the existing literature on the linkage between CSR and Sustainable Development.

To know the present trend of Corporate Social Responsibility in India and New Companies Act 2013

To understand the role of CSR in Sustainable Development of India

### **METHODOLOGY:**

This is a Descriptive research study of a dynamic context of CSR and Sustainability in Indian. To understand the linkage between CSR and SD and the nature of the discourse, researcher has studied the relevant policy documents that outline the mandatory CSR guidelines. Finally comparing the CSR indicators with Sustainable development indicates by using the Checklist technique of research.

### **I.REVIEW OF LITERATURE:**

1. Bruntland, 1987: Sustainable Development has been defined as meeting the needs of the present

generation without sacrificing the needs of the future ones. This would require using resources with care and at the same time ensuring equitable distribution of goods and services among the current generation and across generations. Similarly, the time period of concern, ambiguously described in the Brundtland definition as "now and in the future" has differed widely, from one generation (when almost everything is sustainable) to forever (when nothing may be sustainable).

**2. Parris and Kates (2003):** All these definitions have some combination of development and environment as well as equity; however, there are differences on the emphasis placed on what is to be developed, what is to be sustained and how to link environment with development. "In practice", to quote "groups and institutions tend to acknowledge the many multiple and conflicting objectives to be both sustained and developed but then adopt implicit objective functions that take the forms such as: sustain only, develop mostly, develop only but sustain somewhat, sustain or develop — for favored objectives.

**3. World Development Report, (2003).** The Millenium Development Goals (MDG) is seen to address issues that could bring in a global equitable development for now and in the future. The goals identify the key challenges to sustainable development: poverty, education, women empowerment, health, and environmental sustainability. Though it is doubtful whether India can reach any of these goals by the target date of 2015, their existence points to the immediate to-do list for governments, businesses and civil society members.

**4. Lepoutre, Dentchev and Heene(2007):** Governments in developed economies (UK, EU) and those in developing (India) ones are now looking at integrating CSR in line with broader governance objectives. CSR is seen to legitimize its overall regulation process as well as public policy framework. Integrating CSR into a new public policy framework by bringing in external networks like organizations has created both flexibility and uncertainty. The uncertainty can be related to the nature of CSR, commitment of organizations and the dynamics of institutional interactions.

**5. Delbard, (2008):** 'legal, economic, informational, partnering and hybrid' leading to four main consequences: increased awareness, transparency, socially responsible investment and exemplary social leadership. This in turn has influenced policy formulation in individual countries like France, raising important questions on policy alignment at the meso level

### **I.1. Background of SD and CSR in India:**

India's discourse on sustainable development has been marked by acute poverty as well as high inequality in distribution of goods and services. More than five decades back, the Prime Minister Indira Gandhi stressed (at the UN Conference on Human Environment, 1972) that poverty is inextricably linked to environmental issues in developing countries and one cannot be solved without solving the other. In 2013, the same concern is voiced by India's Prime Minister, Dr. Manmohan Singh as "India aims to attain growth and poverty alleviation in a sustainable manner factoring in the needs of people, especially the poor"<sup>1</sup>. India's poor are affected by hunger, malnutrition, illiteracy and poor access to common land and water. Conventional economic development like large scale industrialization leads to loss of land as well as traditional occupation putting particular stress on women and children. For example, heavy industrial usage of water leads to ground water depletion causing scarcity of drinking water. The women, then, travel miles to get their drinking water<sup>2</sup> and they would carry their children

along with them for security, help and/or company. Thus lack of sustainable water usage policy in industrial belts creates pressure among vulnerable groups like women and children who miss out on their education. Without literacy and education, the future generation is cut off from many development programmes and opportunities.

### **I.2. New Companies Act 2013 CSR Regulations and Guidelines for All Companies in India:**

Government of India has repeatedly emphasized on its mandate to make growth "Inclusive" and has incorporated the same principle not only in Government schemes and projects but also in policies meant for private sector and others. The Companies Act 2013 is a step forward in that direction, with inclusion of section 135 CSR provision mandating private companies to spend a minimum of 2% of their net profit on developmental activities. The draft rules for CSR under Section 135 were made public on 9th August by the Ministry of Company Affairs seeking comments and suggestions. Many of the provisions have the potential to bring in transformative changes in the way private sector engages with national development, however certain provisions needs strengthening to facilitate smoother compliance as well as larger impact on society.

Corporate Social Responsibility provisions notified On 27 February 2014, the Government of India (GOI) has notified provisions and corresponding Rules pertaining to Corporate Social Responsibility (CSR) under the Companies Act, 2013. CSR provisions will come into force with effect from 1 April 2014 i.e. for the financial year (FY) beginning on or after 1 April 2014. CSR provisions require a company (including a branch or project office of foreign company operating in India), through Board processes, to: - Formulate a CSR policy. The activities that may be undertaken for CSR purposes are detailed in the Schedule VII to 2013 Companies Act; -Spend in every FY minimum 2% of its average net profits<sup>1</sup> of 3 immediately preceding FYs on CSR in the manner specified; and 3. Monitor adherence to the CSR policy.

### **II. Role of CSR in Sustainable Development of India:**

Governments bear the burden of responsibility for social well-being. CSR's recent salience is explained with reference to four main drivers: market, social, governmental and globalization. As a result, the paper suggests, CSR can be understood as a component of new systems of societal governance. It then indicates how this applies to the sustainable development agenda through a theoretical model of business strategy premised upon the natural-resource-based view of the firm and through examples of business policies. The conclusion considers possible weaknesses, limitations and challenges to CSR as a vehicle for sustainable development

**Table No.1: Taxonomy of sustainable Development and CSR 2013 Companies Act Goals:**

What is to be sustained	What is to be developed	2013 Companies Act CSR Goals Sec.135 Schedule VII
<b>Environment</b> <ul style="list-style-type: none"> <li>• Earth</li> <li>• Biodiversity</li> <li>• Ecosystems</li> </ul>	<b>People</b> <ul style="list-style-type: none"> <li>• Child survival</li> <li>• Life expectancy</li> <li>• Education</li> <li>• Equity</li> <li>• Equal opportunity</li> </ul>	<b>Welfare of People:</b> Eradicating extreme hunger and poverty  <b>Life Support:</b> <ul style="list-style-type: none"> <li>• Promotion of education;</li> <li>• Promoting gender equality and empowering women;</li> <li>• Reducing child mortality and improving maternal Health</li> </ul> <b>Society:</b> <ul style="list-style-type: none"> <li>• Social business projects;</li> <li>• Contribution to the Prime Minister’s National Relief Fund or any other fund set up by Govet.</li> </ul>
<b>Life Support</b> <ul style="list-style-type: none"> <li>• Ecosystem Services</li> <li>• Resources</li> <li>• Environment</li> </ul>	<b>Life Support</b> <ul style="list-style-type: none"> <li>• Ecosystem Services</li> <li>• Resources</li> <li>• Environment</li> </ul>	<b>Community Development:</b> funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
<b>Community</b> <ul style="list-style-type: none"> <li>• Culture</li> <li>• Groups</li> <li>• Places</li> </ul>	<b>Society</b> <ul style="list-style-type: none"> <li>• Institutions</li> <li>• Social Capital</li> <li>• States</li> <li>• Regions</li> </ul>	<b>Environment :</b> Ensuring environmental sustainability; <b>Life Support:</b> <ul style="list-style-type: none"> <li>• Combating HIV, AIDS, malaria and other diseases;</li> <li>• Employment-enhancing vocational skills</li> </ul>

Source: T.M. Parris and R.W. Kates, (2003) “Characterizing and Measuring Sustainable Development”, Annual Review of Environment and Resources vol. 28

**Table No.2: Checklist Table of Sustainability Development and CSR Goals and Practices as per New Companies Act 2013:**

<b>Sustainable Development Goals</b>	<b>CSR Goals and Practices as per New Companies Act 2013:</b>	<b>Relationships and Links Between CSR and SD(if the both indicators same means indicates as right mark)</b>
<b>Environment:</b> ✓ Earth ✓ Biodiversity ✓ Ecosystems	<b>Environment :</b> ✓ Ensuring environmental sustainability ✓ Biodiversity ✓ Ecosystems	✓
<b>People</b> ✓ Child survival ✓ Life expectancy ✓ Education ✓ Equity ✓ Equal opportunity	<b>Welfare of People:</b> ✓ Eradicating extreme hunger  ✓ mitigation poverty	✓
<b>Community</b> ✓ Culture ✓ Groups ✓ Places	<b>Community Development:</b> ✓ Funds for the welfare of the Scheduled Castes, the Scheduled Tribes.  ✓ other backward classes, minorities and women;	✓
<b>Society</b> ✓ Institutions ✓ Social Capital ✓ States ✓ Regions	<b>Society Life Support:</b> ✓ Promotion of education; ✓ Promoting gender equality and empowering women; ✓ Reducing child mortality and improving maternal ✓ Health	✓
<b>Life Support</b> ✓ Ecosystem Services ✓ Resources ✓ Environment	<b>Life Support:</b> ✓ Combating HIV, AIDS, malaria and other diseases; ✓ Employment-enhancing vocational skills	✓

Sources: Researcher drawn as based on Literature review

**FINDING OF THE STUDY:**

In the above tablesNo.1 depicts information regarding sustainability development indicators are what is to be sustained and what is to be developed. The sustainable indicates along with Corporate Social Responsibility goals and practices as per new companies Act 2013.



Table no.2 enlighten on the Checklist method of comparing the CSR and SD indicators, researcher by using chalkiest technique. The researcher has been comparing between the goals and objects of both SD and CSR are the same as for the above table the indicators between the SD and CSR are one and same hence the study had been conclude that every CSR activates directly Contributing to the sustainable development, as well as CSR plays predominate role for success and sustainable development.

#### CONCLUSION:

The extent to which CSR can contribute to sustainable development is theorized through the 'natural-resource-based view of the firm', which applies particularly to explaining corporate interest in ecological issues, and this logic is extended to the business interest in social sustainability. A number of evaluative issues arise, however. First, there is the question of the consequences for sustainable development of the relationship between business power and economic interest.

Although, there are sufficient laws which focus on CSR towards ensuring a more balanced, harmonious and welfare oriented developmental approach. Comparatively, lower environmental and labour standards of foreign direct investment targets are appealing to trans-national corporate because such lenience boosts production efficiency and increases competitiveness in the short term.

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