https://doi.org/10.69974/glskalp.02.03.35

GLS KALP
Journal of Multidisciplinary Studies
Volume 2; Issue 3;
July - September 2022

Impact of CSR (Corporate Social Responsibility) mandate in India

Ahmar Afaq[1]
Asma Maryam[2]

Abstract

India has witnessed steady and rapid economic growth in the past few decades, thanks to globalization, liberalization, and privatization policies. The deregulation of the Indian economy at the beginning of the 1990s paved the way for robust market competition and a dramatic change in business goals from maximum profitability to sustainability and the wellbeing of stakeholders. In the light of the present circumstances, a bill was presented and passed by the Indian parliament, which mandated all profit-making corporate companies to spend a designated amount of money on activities related to corporate social responsibility. Concerning this, the Companies Act, 2013 formulated section 135, this deals with the concept of CSR. In 2013, this mandate was introduced to the general public after the president's assent on 29th August 2013. The provisions of this section are applicable only to those companies whose annual turnover is more than a thousand crores or whose net worth is five hundred crores, or net profit is more than five crores or more. Although these rules were framed and enacted in the year 2013 itself, it was made applicable to corporate giants from the financial year of 2014-2015. The article also attempts to provide an historical overview of the development of CSR mandate; it also identifies various issues and challenges faced during the implementation CSR activities in India. Finally, the article concludes by establishing a new paradigm with respect to sustainable development and it's interlink age with CSR and makes practical solutions to implement this mandate which if followed may serve as a model for other nations confronting comparable issues within multicultural and multiethnic societies.

Keywords: *Corporate Social Responsibility, Nation Building, Sustainable Development, Environment, Philanthropy.*

Introduction:

Since the inception of vocation, businesses worldwide, particularly in India, have been viewed beyond righteousness and public policy. In the light of the present circumstances, a bill was presented and passed by the Indian parliament, which mandated all profit-making corporate companies to spend a designated amount of money on activities related to corporate social responsibility. This historical enactment modernized India's approach towards corporate governance and made it the first country to have a statutory provision governing the same.[3] With respect to this the Companies Act, 2013 has formulated section 135 which provides for the establishment of a CSR board committee comprising of at least three directors, and one amongst them

[1] Assistant Professor, Faculty of Law, Symbiosis Law School, Nagpur
Asma Maryam
[2] Student, Symbiosis Law School, Hyderabad

[3] Kunal Basu & Guido Palazzo, Corporate Social Responsibility: A Process Model of Sense Making, 33 The Academy of Management Review 122, 132-136 (Jan 2013).

GLS KALP
Journal of Multidisciplinary Studies
Volume 2; Issue 3;
July - September 2022

should be independent.[4] Their primary objective is to collectively ensure that the company not only works towards boosting profits but also contributes in nation building processes. Since the late 1970s, the concept of CSR has gained immense popularity not as a law but as a mere responsibility. However, most Indian companies are of the view that it is a strategic issue. They believe that participation in such activities facilitates the accomplishment of objectives graciously as a responsible citizen from the stance of global and local investors, which goes against the entrenched norms of businesses.[5]
According to Carroll's pyramid, corporate social responsibility is defined as "the act of treating the firm's stakeholders ethically or responsibly".[6] The primary notion of CSR lies in realizing the community's interest by taking charge of the consequence of their actions on stakeholders and the environment. This initiative of ensuring economic, environmental and social performance could be divided into four distinct levels to maintain equilibrium, i.e., economic, legal, ethical, and philanthropic responsibilities. Economic responsibility refers to the act of maximizing the profitability of the firm. Legal responsibility refers to compliance with statutory rules and regulations. Ethics, on the other hand, deals with the proper operations of the company, and philanthropic responsibilities encapsulate voluntary service to society.[7] In the words of Dirk Matten, "CSR can be consequently described as the best approach to businesses".[8]
Traditionally, the role of corporate business was envisioned purely on economic parameters of success. They were considered as the torchbearers to provide employment and meet market demands by supplying products and services. However, with globalization and burning ecological issues, corporate' perspectives have considerably changed. They have essentially realized that public policy, coupled with their support, is responsible for confronting issues and addressing social problems. Although India has one of the richest traditions of CSR, it still has to go a long way before it receives extensive recognition.[9] Concerning International development, the World Business Council on Sustainable Development, in their report titled, "Corporate Social Responsibility: Making Good Business Sense and OECD Guidelines for Multinational Enterprises, " defined CSR as an emerging global business-standard.[10] Through this instant academic venture, an effort has been made to critically analyze the efficacy of present laws to determine the impact of CSR mandate on Indian companies.
For the purpose of this research, the researcher will be adhering to doctrinal research, which has been carried out primarily using research papers, articles, books and essays. The methodology adopted is largely analytical and descriptive in nature. Reliance has also been placed to a great extent on online sources and legitimate sites, which have been duly given credit for. The present research paper is divided into four parts. The first part attempts to provide an historical overview of the development of CSR mandate. The second part introduced us to the efficacy of present laws dealing with

---

[4] The Companies Act, 2013, §135.
[5] Kapoor Kirti, Corporate Social Responsibility and Sustainable Development 2011-2013 (Aug. 9 2014) (unpublished thesis, Department of Law, University of Lucknow) (on file with author).
[6] Archie B. Carroll, *Carroll's Pyramid of CSR: Taking another Look*, 3 International Journal of Corporate Social Responsibility 33, 37- 38 (July 2016).
[7] *Supra* note 3.
[8] Crane A., Matten D. & Spence L, *CSR: In Global Context*, 1 Corporate Social Responsibility: Reading Cases in Global Context 12, 24-23 (2013).
[9] Ina Freeman & Amir Hasnaoui, *The Meaning of Corporate Social Responsibility: The Vision of Four Nations*, 100 Journal of Business Ethics 419, 422-424(May 2011).
[10] Kathryn Gordon, *Corporate Social Responsibility: Making Good Business Sense and OECD Guidelines for Multinational Enterprises*, 9 Working Papers on International Peace Building 05, 09 (2001).

GLS KALP
Journal of Multidisciplinary Studies
Volume 2; Issue 3;
July - September 2022

CSR; it primarily focuses on identifying various issues and challenges faced in implementing CSR activities in India. The following part will be extending the role of CSR mandate towards sustainable development in order to establish a new paradigm. Finally, the paper concludes with remedial measures and suggestions to overcome the problems faced during the implementation of the same. To accomplish the aims and objectives mentioned above, the primary hypothesis is that there is no proper implementation of CSR mandate under the Companies Act, 2013. Secondly, there is a lack of sustainable development due to improper implementation of the CSR mandate.

Historical overview of Corporate Social responsibility

The history of CSR inception dates back to the late 1930s to the early 21st century. This concept initially dwelled in the western world because Americans have played a prominent role in capitalizing world economy and influencing corporate expansion in developing countries like India.[11] The phrase "Corporate Social Responsibility" was first coined by Howard Bowen in the year 1953, and it came to limelight only with the publication of "Bowen's Social Responsibility of Business." It also fetched him the title of "The Father of Modern CSR".[12] The first corporation to implement CSR was Shell in the year 1988; it envisioned educating the general public, contributed towards religious, educational, and scientific causes to ensure industrial betterment and workers' well-being.[13] However, the essence and extend of CSR has changed over time. Towards the end of the 19th century, most corporate companies believed and practiced the philosophy that came to be known as "Social Darwinism." Following which businesses and social policies were governed on the principles of natural selection and survival of fetus.[14]

Nevertheless, at the beginning of the 20th century, a backlash against most of these corporations gained momentum; they were publicly criticized for being anti-social and anti-competitive, which led to the enactment of several legal mandates to secure equal employment opportunities, environmentally-friendly packing, and product safety for workers welfare. Moreover, by this time the society began to expect businesses to voluntarily participate in addressing social issues, irrespective of whether they had caused it or not.[15] [16] This was based on the observation that companies are not only confined to economic dimensions but also ethical, legal and social dimensions. This view of CSR is persuaded in the contemporary world. The genesis of this concept procured incitement in 1991 when Professor Donna J of the University of Pittsburgh published his book titled "Corporations Social Performance Revisited," which instilled guidelines for expansion and improvement of the CSR model. His book demarcated its functions and structured probable impacts and outcomes of the same.[17]

---

[11] Madrakhimova Firuza, *History of Development of Corporate Social Responsibility*, 45 Journal of Business and Economic Science 507, 509-511 (2013).

[12] Latapi Agudelo, M. A Johannsdottir & Davidsdottir, *A Literature Review of the History and Evolution of Corporate Social Responsibility*, 4 International Journal of Corporate Social Responsibility 1, 3-6 (2019).

[13] Nichilette Lunsingh Tonckens, *Corporate Social Responsibility in Royal Dutch Shell*, 6 Journal of Rotterdam University of Applied Sciences 44, 49-50 (2019).

[14] Asiamah Yebosh, *Building and Sustaining Competitive Advantage through CSR and Ethics in the Telecommunication Industry*, SSRN (Dec. 15, 2021, 5:45 PM), http://dx.doi.org/10.2139/ssrn.1973056.

[15] Albert Tan, *The Importance of Corporate Social Responsibility*, SCRIBD (Feb. 12, 2021, 2:30 AM) https://www.scribd.com/document/206680989/The-Importance-of-Corporate-Social-Responsibility-Regenesys.

[16] Ganapathi, Batthini Shankaraiah and Chaudhary, Ashok and Chaudhary, Shanti, Scholarly Journals in Entrepreneurship (December 11, 2015). Available at SSRN: https://ssrn.com/abstract=2702276 or http://dx.doi.org/10.2139/ssrn.2702276

[17] Staff Writer, A Brief History of Corporate Social Responsibility (CSR), THOMAS NET, (Sept. 25, 2019, 4:00

Consensus on Corporate Social Responsibility

In recent times, CSR has been viewed more as a means to survive a ruthless market environment than a philanthropic activity because it is categorical to a company's long-term interest. Secondly, because it can integrate to the economic, social, and environmental impact of their operations, and finally, CSR is not an option anymore but rather a compulsion on corporate offices.[18] Besides this, the CSR mandate offers various other benefits, which have discussed in the following paragraphs.

In this globalized economy, the adoption of such an initiative helps companies remain competitive in local and international markets. Furthermore, with the world gaining awareness of environmental and ecological issues, consumers have become more conscious about what they buy and where it comes from. Most of them are not willing to purchase products that pose a threat to the environment.[19] Additionally, consumers are also concerned about the companies' previous records concerning fair wages, non-discriminatory behavior towards its employees, and good working conditions. Any discrepancy would result in them getting highlighted in the media. It has been noticed that these days, people tend to support those companies that ensure the welfare of their workers and work for the betterment of societies. Thus, if taken optimistically, it would give businesses with good CSR programs a clear advantage.[20]

Another emerging concern these days is concerning the employment of highly skilled labourers. Many human resource analyses have noticed that competent workers prefer to be associated with enterprises with good reputations. This could be the possible explanation why corporate giants, whose reputation of being tax evaders and corrupt dealers, have difficult times in hiring a competent workforce. Moreover, companies with a strong CSR program have a clear-cut advantage in convincing investors.[21] Various studies have proved that CSR endures companies' long-term potential. However, Milter Friedman believes that businesses should primarily deal with making money and ensuring the participation of consumers in the free market. If the operation of the free market cannot solve the social problems of its citizens, then it becomes the responsibility of the state to address them. He believed that a company could not be held accountable for such functions. Contradictory to this are the views of Caroll and Buchholtz. They opined that companies should assume such responsibilities as they are one of the few entities in the state, which possess the resources to do so.[22]

Laws and Regulations Governing CSR Mandate in India

In India, the CSR Postulation is governed under section 135 of the companies act.[23] In 2013, this mandate was introduced to the general public after the president's assent on 29th August 2013. The provisions of this section are applicable only to those companies whose annual turnover is more than a thousand crores or whose net worth is five hundred crores, or net profit is more than five crores or more. Although these rules were framed and enacted in the year 2013 itself, it was made applicable to corporate giants

PM) https://www.thomasnet.com/insights/history.

[18] *Supra* note 7.

[19] *Supra* note 14.

[20] Garima Kumar & Anand Prakash, *CSR Evangelism*, 53 Indian Journal of Industrial Relations 183, 190-193 (2017).

[21] G. Silpa, A Study of Corporate Social Responsibility of IT Companies in India 2015-2017 (Dec. 19 2017) (unpublished thesis, Department of Management Sciences, Jawaharlal Nehru Technological University) (on file with author).

[22] *Supra* note 3.

[23] The Companies Act, 2013, §135.

from the financial year of 2014-2015. The section mentioned above also establishes a CSR committee comprising at least one independent director and other official members.[24] In one way or another, the act persuades enterprises to spend at least two percent of their average net profit in the last three years.[25] According to the guidelines issued by the government, in consonance with the calculation of net profit, it is defined as "the profit before tax as per the books of accounts, excluding profits arising from branches outside India".[26]
Furthermore, Schedule VII of the CSR mandate enlists few activities that should be undertaken as a part of this initiative. To name a few- the first one is to work for the eradication of poverty, Secondly to promote education, Thirdly to improve the status of gender equality paradigms and enhance women empowerment schemes, Fourthly, is to reduce child mortality and impose mental, physical, and reproductive health of Indian citizens, Lastly is to work for environmental sustainability.[27] These activities could be either implemented independently or through a non-governmental organization that has been mainly set up for this purpose or through an independent non-governmental organization or collaborations with other companies. The only limitation concerning this is that all such activities should be undertaken within the boundaries of the Indian subcontinent. Once any particular activity has been finalized and approved by the CSR board, it has to be signed by the CEO or the company's managing director.[28] This strategic approach would benefit the company in terms of risk management, improve consumer relationships, and reduce cost expenditure, which would inversely result in human resource management.

The efficacy of Corporate Social Responsibility in the Indian context
India's innovative attempt to avoid inflammatory wealth disparity might not be ideal for the foreign legislations to follow, but it was born out of economic necessity. It still is one of the first "creative capitalist" solutions to resolve problems arising from inequality in the wake of unprecedented economic growth.[29] In 2011, the then Union Minister, Murli Deora had correctly remarked that, "the 2011 companies bill marks the first time in the history of CSR that a country has seriously considered mandating spending by large companies on social goods". At the same time, others scrutinized this bold proposal to be incoherent and an irrational exercise.[30] Nevertheless, it was enacted and enforced. In the following paragraphs, the efficacy of the CSR mandate will be subject to analysis concerning the arguments for and against its issues and challenges, awareness, need, viability, and perception.

Arguments Against Mandating CSR Spending
Theoretical and pragmatic objections were raised against the provision mandating CSR spending. Friedman, Hannsman, and Macey argue that CSR mandate creates market

---

[24] Ms. Ruchi Khandelwal & Ms. Swarna Bakshi, *The New CSR Regulation in India: The Way Forward,* 11 Procedia Economics and Finance 60, 65-67 (2014).
[25] NIRBHAY LUMDE, CORPORATE SOCIAL RESPONSIBILITY IN INDIA- A PRACTIONERS PERSPECTIVE 34-37 (1st ed. 2018).
[26] KAMAL GARG, CORPORATE SOCIAL RESPONSIBILITY WITH COMPANIES (CSR POLICY) RULES, 2014 AS AMENDED BY THE COMPANIES (CSR POLICY) AMENDMENT RULES, 2021 21-23 (3rd ed. 2021).
[27] LEO RAUDYS, THE CHEAP GUIDE TO SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY 61-65 (1st ed. 2016).
[28] *Supra* note 3.
[29] C.V. Zile, India's Mandatory Corporate Social Responsibility Proposal: Creative Capitalism meets Creative Regulation in the Global Market, 14 Asia-Pacific Law and Policy Journal 299, 290-301(2011).
[30] *Id* at 294.

inefficiencies and endures ineffectiveness which damages a countries economic development in the long run. According to the economist mentioned above, India should continue under its liberal economic regime because it ensures an impetuous GDP growth, helps millions of people fight against poverty, and edges closer to achieving a middle-class living standard.[31] Moreover, one of the most neglected yet silent disadvantages of this mandate is that it might push India into a state of competitive disadvantage in the global market to such an extent that it might result in counter productiveness and obtuse growth, which might bring a countries economy to shrink. Contrary to this are the views of the modern economist who believes that this proposal has not been researched and developed enough to regulate companies' policies. It lacks a firm coercive enforcement mechanism that might not result in garnishing sufficient productively. Additionally, this law does not specify the desired target that has to be achieved. Instead, it is a very vague and unclear regulation with no formal review process and thus would not add to a state's regulatory capacity or permissibility.[32]

Arguments For Mandating CSR Spending

India's CSR proposal is a combination of flaws and drawbacks of overt regulation and developed mentalist approaches. Internationals researchers and global experts have confirmed that India is home to the world's largest poor population, primarily due to governments' incompetence and failure of tax-driven social welfare programs.[33] CSR mandate contributes towards the upliftment of society; besides this, their natural endowment helps them secure trust, reduce the sheer cost of a regulatory mechanism, and safeguard themselves from the ever-present apparition of government corruption and misfeasance.[34]Additionally, the CSR mandate reduces the burden of additional taxation and preserves the autonomy of the State by empowering the companies to decide where and how their funds would be used. Tom Tyler and Peter Degoey are of the view that "re-investing in communities can build reputational legitimacy, trust, and reciprocity from which companies may ultimately benefit".[35] Thus, with this compulsion to bring about two percent of the net profit to the community, individuals associated with the corporation discern elatedness and enthusiasm about working to their highest potential to achieve targets. This could be further substantiated by Greenfield, who once remarked that "when workers feel that they are being treated with respect and fairness, they require less monitoring to elicit their best efforts".[36]

Moreover, most of the corporate giants in India have been contributing significantly to the educational field, health care, and environmental development. This attempt reduces reputational and fiscal consequences in case of any external discrepancy. Building schools and colleges in rural areas assists the state in nation-building processes and ensures direct returns to the company in the local workforce, which would

---

[31] *Supra* note 26.
[32] John Nellis & Sunita Kikeri, *An Assessment of Privatization*, 20 World Bank Research Observer 20, 22-224 (2012).
[33] Saniya Agrawal, *India has Highest Number of People Living below Poverty Line: World Bank*, BUISNESS TODAY.IN, (Oct 3, 2016, 11:00 AM) https://www.businesstoday.in/latest/economy-politics/story/india-has-highest-number-of-people-living-below-poverty-line-world-bank-69179-2016-10-03.
[34] Mushtaq Kahn, Patron- Client Networks and Economic Effects of Corruption in Asia, 16 (J. Mark Robinson, 1st ed. 1998).
[35] Tom, Degoey & H. Smith, *Understanding Psychological Dynamics of CSR*, 7 PPSP 913, 915-920 (1996).
[36] *Supra* note 26.

undoubtedly act as a boon to the production industry shortly.[37] Secondly, developing countries like India are in desperate need of funding. Over the past few years, the Indian economy has been hampered inadequately through liberal policies and escalated global competition, making the imposition of steep taxes and exhaustive regulations impossible. Considering Greenfields' remarks on corporate giants as public enterprises, it would make good sense to contribute their capital for the sake of public good actively. However, since Independence, obstacles in the liberal international market and India's fear of competitive disadvantage prevented it from raising corporate taxes.[38] Thus, the CSR mandate was a mere necessity, which has now been realized. Nevertheless, it still has a long way to go.

Issues and Challenges of Corporate Social Responsibility

CSR activities in India lack participation and contribution of local communities, primarily due to a lack of knowledge and communication, and secondly due to the non-availability of independent non-governmental organizations in rural areas. As mentioned earlier, the present statutory provision under discussion is vague and unclear; it does not provide a clear-cut policy direction to subscribe to a traditional approach to CSR activities, which is one of the significant challenges companies face in the contemporary world. It also lacks consensus concerning local agencies, which often creates a competitive spirit amongst local organizations rather than having a collaborative and corporative approach to social issues. Thus, this issue can only be addressed by the capacity building of local non-governmental organizations.[39] Apart from this, a company faces several other challenges, a few of which are enumerated below.

1. Lack of transparency and accountability concerning disclosure of program information, logistics, audit reports, distribution and utilization of funds, etc.
2. There is little to no availability of independent, well-organized, non-governmental organizations in rural areas that can locate and identify current and relevant issues for the proper implementation of CSR.
3. Non- governmental organizations often tend to participate in even-based programs to gain visibility and influence branding exercises. In consonance, they miss out on grassroots interventions and undermine the role of media in highlighting stories and creating awareness about CSR initiatives.
4. Due to lack of awareness, governmental and non-governmental agencies have a very narrow perception of CSR activities taken by the companies.
5. There are no clear-cut CSR guidelines; section 135 of the Indian Companies Act only provides for establishing a board, its duties, and composition based on the scale of a business's size and profit. The bigger the company, the enormous the activities.
6. Corruption, red-tapism, lack of information dissemination, lack of awareness, and communication coupled with the lack of interest of the general public aggregate the already existing problems and creates obstacles in implementing CSR activities.[40]

Impact of Corporate Social Responsibility Mandate in India

After extensive debates and deliberations, the provision governing the CSR mandate

---

[37] Tom, Degoey & H. Smith, *Understanding Psychological Dynamics of CSR*, 7 PPSP 913, 915-920 (1996).
[38] *Supra* note 26.
[39] D. I. Chatterjee & Vidhyaa Roy Chowdhury, *Corporate Social Responsibility and Indian Industries*, 3 International Journal of Mangement Research and Review 2059, 5060-2063 (2012).
[40] R. Martolia, *Effectiveness of CSR in Public and Private Enterprises*, 4 Abhinav National Monthly Referred Jounral of Research and Commerce and Management 9, 10-17(2016).

was finally passed by the Indian parliament. The notion that firms should voluntarily participate in social activities was first mooted in the year 2009. Subsequently, media houses across the country extensively highlighted this issue, which led to the introduction of a bill governing the same in the lower house of the parliament in 2012. Till 2015 most of the companies were not required to display their CSR spending publicly; however, things changed with the introduction of section 135 of the Indian Companies Act.[41] According to a few trusted reports and reviews, since the inception of the CSR mandate, it has been observed that there has been an aggregate rise in CSR spending because failure to do so would attract heavy liabilities to the firm irrespective of their explanation. The penalty usually imposed on a company and its respective officers is ten thousand rupees per day.[42]

In 2013 the Ministry of Corporate Affairs published a set of rules that specified particular CSR investment domains. However, it excluded those expenditures made for the benefit and welfare of its employees and political parties.[43] When the CSR mandate was first proposed, its response in the Indian context was decidedly negative. The Confederation of Indian Industries protested against it, which others followed. Protestors staunchly believed that this policy could instabilize India's overall liberalization process. Despite this, it came into force. Data from credible sources such as a company's financial statements and prowess databases have confirmed that CSR initiatives help develop a positive image. Public beneficiaries tend to support such companies leading to profitable gains by 4.1 percent.[44] Yet another report reiterated that corporate giants are the best resource partners in terms of finance, knowledge, and human manoeuvre, besides uplifting the underprivileged sections of the society.[45] Thus, it can be concluded that CSR is a win-win situation for both sides. In the Indian subcontinent, where one-third of the entire population lives under the poverty line, the passage of CSR should be optimistically conceived for equitable and sustainable development.

Apart from all these merits, it has its own set of demerits. Mandating CSR provisions would kill the innovative approaches that a company should adopt in channelizing funds for social and environmental benefits. This Mandate could be treated as a "check the box" item rather than an opportunity to serve humanity. In addition to that, there is no shortage of NGOs in India; they are approximately to be 3.3 million but not all work in their true spirit. In an effort to meet this statutory obligation, companies might end up unnecessarily funding organizations that might not diligently spend that amount on the right cause. Thus it is of pertinent importance that the funding goes to credible organizations.[46] But contrary to this, is section 135 of the companies act, ambiguous and unclear; Smart companies would use it to influence the way CSR mandate should be implemented and considering the immense need and entrepreneurial opportunity, this

---

[41] *Supra* note 2.

[42] Vidhya Balaji, *CSR in India Post Companies Act, 2013*, 5 International Journal for Research in Engineering Application and Management 67, 64- 99 (2019).

[43] Santosh Gupta, *Will this Positively or Negatively Impact CSR in India*, 6 International Journal of Management Research and Review 40, 39-46 (2017).

[44] *Id.*

[45] Chhavi Ghuliani, India Companies Act 3013: Five Key Points About India's CSR Mandate, BSR (Nov 22, 2013 1:03 PM) https://www.bsr.org/en/our-insights/blog-view/india-companies-act-2013-five-key-points-about-indias-csr-mandate.

[46] Ishan Kukreti, CSR: Is India Inc Spending Resonsibly, DOWNTOEARTH (Feb. 19, 2020, 2:30 AM) HTTPS://WWW.DOWNTOEARTH.ORG.IN/NEWS/GOVERNANCE/CSR-IS-INDIA-INC-SPENDING-RESPONSIBLY--69353.

could be a good thing towards reducing economic inefficiencies.[47]

Trends in Corporate Social Responsibility

In half a decade, CSR emerged as a diverse means to strengthen developmental initiatives and resourcefulness. This selective approach towards the ever-growing liberalized world of CSR has resulted in creating the following trends.

1. With the growing demands to disclose a company business statement, the CSR mandate is highlighted tremendously for securing responsible behavior of corporate leaders and ensuring transparency and accountability. It has also been reported that the CSR mandate has been quite successful in engaging employees and consumer participation in extending a helping hand in development-related activities.
2. With globalization and growing awareness, companies have become more of a differentiator than an integrator. They are now willing to collaborate and corporate in achieving the desired result on CSR issues to make this world a better place to live.
3. It has been optimistically contributing towards influencing public policy agendas.
4. With the growing concern of environmental issues due to climate change, corporate companies are continuously engaged in resourceful conversations to track innovative technology to invest in this process. This would not only enhance diversity but also ensure local participation.[48]

Role of CSR Mandate towards Sustainable development in order to establish a new paradigm

In order to secure societal acceptance and imperishability of human capital and raw materials, the concept of CSR has now gained momentum as a means to achieve sustainable development due to its social, economic, and environmental impact. The local community and civil societies, besides shareholders and stakeholders, play a crucial role in this process.[49] The concept of CSR lacks a uniform and universally accepted definition. Moreover, no definitive method or an intrinsic approach has to be followed or incorporated for its implementation. Each company is at liberty to set its demarcations by developing an action plan that works towards executing desired goals.[50] As per the definition given by the World Business Council for Sustainable Development, "Corporate Social Responsibility is the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".[51]

The notion of alienating decisions, product marketing, brand sourcing, and capital distribution in this global environment is the discipline of sustainable development. Businesses that operate with this objective work on long-term projects; they are usually engaged in thinking about global realities and how it will affect their work and relevance

[47] *Supra* note 3.

[48] S.P BANSAL, CORPORATE SOCIAL RESPONSIBILITY: SUSTAINABLE AND INCLUSIVE GROWTH 87 (Kulbhushan Chandel, 1st ed. 2012).

[49] Premlata & Anshika Agarwal, *Corporate Social Responsibility: An Indian Perspective*, 1 Journal of Businesses Law and Ethics 28, 29-32 (2013).

[50] Amita V Joseph, *Successful Examples of Corporate Social Responsibility*, 44 Indian Journal of Industrial Relations 400, 399-404 (2009).

[51] J.P SHARMA, CORPORATE SOCIAL RESPONSIBILITY: MEETING CHANGING EXPECTATIONS 4 (Phil Watts & Lord Holme, 1st ed. 2016).

or, in other words, viability and desirability of conventional practices are challenged to endure a positive vision of civilized society in this globalized world.[52] According to the Brundtlant report, "Sustainable development is not a fixed state of harmony but rather a process of change".[53] It plays an essential role in economic growth and determines countries' GDP, and to ensure this development, core sectors have to economies, evitable and sustainable development patterns through the establishment of CSR.

Defining a New Paradigm

The entire concept of sustainable growth resolves around the "need for economic growth with environmental protection and social equity in the contemporary world".[54] It can be a source of success and profitability if the corporation's identity hides opportunities to enhance productivity and improve corporate sustainability through strategic management. The history of its evolution dates back to the 18th century when the term sustainable development was highlighted in the context of a global agenda for change in the United Nations general assembly, and since then, it has been defined as a model of table bottom line. To better understand this concept, it is quintessential to understand that the term sustainable development is established on three pillars, i.e., society, economy, and environment.[55] A balanced integration of all these factors is essential to maintain equilibrium in the corporate world and human habitat.

Sustainable Development as a Primary Basis of Corporate Social Responsibility Mandate

Continuous commitment to ensure economical and sustainable development to secure better living standards for workers and their families coupled with local communities is the primary objective of CSR. With globalization, this entrepreneurial initiative has structured itself into a state policy. In many developed countries like the US and the UK, CSR incentivizes local communities and the government. The concept of sustainable development revolves around social issues, i.e., justice, climate change, pollution, poverty, corporate citizenship, etc., and this can be achieved through qualitative and quantitative methods.[56] However, there is no particular means which could help us measure it and this adds as yet another challenge to the corporate houses when they decide to prepare a report on their CSR performance.[57] Nevertheless, it has been reported that since last few years Indian corporate sector has spent a whopping amount of US $ 6.31 billion on social expenditures.[58] The figure mentioned above, clearly establishes a close link between CSR and the principle of sustainable development or in other words, "CSR has a significant role in controlling the perils of uncontrolled development, satisfying the need of the present generation and at the same time ensuring that the resources of future generations is not jeopardized".[59]

Furthermore, to integrate businesses into the concept of sustainable development, the

---

[52] *Supra* note 3.

[53] Report of the World Commission on Environment and Development: Our Common Future, H.R. Rep No. 1110, at 8 (2015).

[54] Crowther David & Arner Maria, CORPORATE SOCIAL RESPONSIBILITY 10 (David Author, 1st ed. 2008).

[55] *Supra* note 46.

[56] STRANGE TACEY & ANNE BAYLEY, SUSTAINABLE DEVELOPMENT: LINKING ECONOMIC, SOCIETY ENVIRONMENT 29 (1st ed. 2008).

[57] *Id.*

[58] Ishan Kukreti, CSR: Is India Inc Spending Resonsibly, DOWNTOEARTH (Feb. 19, 2020, 2:30 AM) HTTPS://WWW.DOWNTOEARTH.ORG.IN/NEWS/GOVERNANCE/CSR-IS-INDIA-INC-SPENDING-RESPONSIBLY--69353.

[59] Johannesburg Declaration Report on Sustainable Development, H.R. Rep No. 120, at 18 (2002).

UN and the World Business counsel established a high member committee comprising of internationally renowned professions to develop an intrinsic guide to regulate impact assessment methods.[60] This would not only facilitate but uplift the entire gauge because a dynamic and well functioning corporate sector which works to secure rights and liabilities of its labors besides having concern for environmental and health standards is a quintessential locomotion required to ensure sustainable development. Thus, with this it would be safe to conclude that, "Corporate sustainability is the company version of sustainable development, while CSR is a voluntary managerial approach to sustainable development".[61]

Remedial measures and Suggestions to overcome the problems faced during the Implementation of CSR Mandate

To meet the desired targets and fulfill the expectations of shareholders and stakeholders, corporate giants have to exercise their competitive ability to their best potential. They are supposed to be flexible in adopting changes and strong enough to face challenges concerning their services and management. To do so, it is vital that we first identify and secondly develop the best CSR initiatives.[62] The following suggestion should be considered seriously to crystallize the future of CSR mandate in the mainstream corporate Indian economy.

1. There is a dire need to create awareness about the importance of CSR in India, particularly in rural and semi-rural areas.
2. To sensitize students in general, the concept of CSR mandate should be made a part of the regular curriculum at schools and colleges.
3. Partnership programs between government, private sector, and local communities should be encouraged.
4. CSR should not be mandated only on corporate giants. Small, medium, and large enterprises should also be governed under this provision so that they also get to realize their responsibilities and duties towards society.
5. CSR activities should also take place in urban and semi-urban areas. Credible sources have found out that most metropolitan areas are neglected during the implementation of the same.
6. Government and the general public should always motivate corporate houses to pool resources and scale-up projects with innovative ideas to benefit maximum people.
7. Government should also recognize non-governmental organizations and corporate houses by giving them awards and titles.
8. The Ministry of Corporate Affairs should issue regular guidelines governing transfer policies and documents.
9. It is high time for corporate firms to focus more on education, women empowerment, health, sanitation, and environmental sustainability rather than building brand value.
10. Innovative corporate models should be popularized amongst businesses so that they get influenced by their work.

---

[60] Karoly Behringer, *The Role of CSR in Achieving Sustainable Development- Theoretical Approch*, 12 European Scientific Journal 17, 10-19 (2016).

[61] Steurer R. & Langer Konrad, *Corporations, Stakeholders and Sustainable Development: A Theoretical Exploration of Business – Society Relations,* 5 Journal of Business Ethics 78, 71-90 (2005).

[62] Yasmin Begum R. Nadaf & Shamshuddin M. Nadaf, *Corporate Social Responsibility: Issues Challenges and Strategies for Indian Firms*, 16 IOSR Journal of Business and Management 2310, 2319-7668 (2014).

11. Realistic and operational models should be undertaken through collaborations to execute flawless functioning, impacting thousands of people at one time.
12. Corporations should view CSR as an opportunity and not as a responsibility to evade taxes and secure the goodwill and reputation of the firm.
13. Directors appointed for the CSR board should be scrutinized before selection to ensure that they are not corrupt, credible, and value-driven.
14. A heavy penalty should be imposed on corporations who fail to contribute their part.

Conclusion

Since the inception of vocation, businesses worldwide, particularly in India, have been viewed beyond righteousness and public policy. But due to awareness, corporate houses in India are realizing their stake in society and actively indulging in CSR activities. The local community and civic organizations, besides shareholders and stakeholders, play a crucial role in this process. India's innovative attempt to avoid inflammatory wealth disparity might not be ideal for the foreign legislations to follow, but it was born out of economic necessity. It still is one of the first "creative capitalist" solutions to resolve problems arising from inequality in the wake of unprecedented economic growth. The need of the hour is to identify, locate and implement effective strategies and policies towards the economic, ethical, social, and sustainable development of the country. The concept of sustainable development and CSR are closely linked with each other. Combination of these two terms amalgamates ecological, social, and economic concerns for businesses to relentlessly work towards improving people's lives. This philosophy can be encapsulated in a quote which states, "if trade and commerce are not sensitive to its social and environmental context, it will not be sustainable, and if it's not sustainable, it will collapse". The CSR mandate still continues to fascinate social scientists. Nevertheless, the core issues remain the same. Primarily, are corporate houses still responsible to stakeholders besides wellbeing of shareholders and secondly, what was the need of such an enactment, when charity is considered to be a voluntary act particularly in a democratic country like India where citizens have the right to decide where there profits are dispensed. CSR mandate merely presumes that the role of social actor’s best fits corporate giants like TATA and Reliance because they have the potential resources to address these challenges. However, the researcher is of the view that the adoption of such an initiative helps companies remain competitive in local and international markets. To conclude, I would say that the CSR mandate was a mere necessity, which has now been realized. Nevertheless, India still has a long way to go.