

A study on sustainable development and corporate social responsibility

Umashankar. H. K^{1*}, Dr. Virendra Pratap Singh²

1 Research Scholar, P. K. University, Shivpuri, M.P.

umashankar5645@gmail.com

2 Faculty of law, P. K. University, Shivpuri, M.P.

Abstract:

This paper explores the interconnection between sustainable development (SD) and corporate social responsibility (CSR) through a critical legal lens. CSR has evolved from philanthropic acts of business houses to legally recognized obligations embedded within corporate governance. At the international level, frameworks such as the UN Global Compact, OECD Guidelines, and EU directives highlight the increasing alignment of CSR with sustainable development goals (SDGs). The study reviews the historical trajectory of CSR, examines its role in India's developmental agenda, and analyses the legal and regulatory challenges in embedding CSR as a sustainable development tool. The paper concludes that while CSR laws have strengthened corporate accountability, inconsistencies in enforcement, reporting, and transparency remain critical hurdles that require reform and harmonization at both national and global levels.

Keywords: Corporate Social Responsibility; Sustainable Development; Corporate Governance; Companies Act, 2013; CSR Policy Rules, 2014; Legal Framework; Accountability.

INTRODUCTION

The function of companies has been redefined beyond profit-making due to the worldwide trend towards sustainability. Nowadays, it is required of businesses to include ethical, social, and environmental factors into their operational frameworks. This change is exemplified by corporate social responsibility (CSR), which connects business operations with more general societal objectives.

The intersection of CSR and SD presents significant legal issues, such as whether CSR should continue to be optional or whether it should be required by law. To what extent do current legal frameworks guarantee corporate responsibility for sustainability? The Companies Act of 2013 in India provides a unique case study as it establishes a worldwide standard for CSR spending. International frameworks like the OECD Guidelines and the UN Global Compact, however, show how hard law and soft law procedures operate together to influence business conduct.

The growth of CSR, its legal incorporation in India and elsewhere, its contribution to sustainable development, and the difficulties encountered in its actual application are all critically examined in this paper.

CSR (CORPORATE SOCIAL RESPONSIBILITY)

The Financial Times recently defined "corporate social responsibility" to be "an act that intends the business houses to be apprehensive of their organization's effect on humankind, which includes people associated with them and their surroundings where they operate." That was the beginning of it all. Companies have an obligation to society and the environment to ensure that development projects benefit everyone equally.

The Financial Times defines "corporate social responsibility" (CSR) as when a business consciously attempts to track and control the ways that its activities negatively impact people and the environment. As crucial as it is to preserve a healthy profit margin, the company's emphasis must remain on the people and places it serves. Making sure that everyone benefits from economic success should be a top priority for a company's CSR initiatives. [1]

In terms of CSR, financial and other asset donations are just the beginning. Among the topics discussed are community development, environmental protection, education, public health, and human rights. Although approaches vary by country and industry, there is a consistent trend toward merging business plans with more general society goals.

According to David Crowther and Güler Aras, their research highlights the expanding importance and scope of corporate social responsibility. CSR is seen by many organizations as a means of working together to address global issues, including governments, non-governmental organizations, and corporations. On the other hand, localized CSR initiatives seek to increase trust and have a significant influence on the communities in which businesses operate.

Even in its most casual forms, corporate philosophy has always included civil society. Øyvind Ihlen, Jennifer Bartlett, and Steve May state in *The Handbook of Communication and Corporate Social Responsibility* that a company's social and environmental consequences greatly affect its reputation and future success. Becoming "good neighbours" is more about a company's social responsibility than it is about making a profit.

EVOLUTION OF CSR CONCEPT

Keith Davis and Robert L. Blomstrom note in their book "Business and Society: Environment and Responsibility" that ancient industrialists and merchants engaged in charity endeavors such as contributions, fund-raising, and gift-giving. They purposefully participated in development without being asked for; some obvious examples include constructing new locations, highways, and helping the less fortunate.

America's large corporations and industries developed over the 19th and 20th centuries. It was also around this time that planned society culture began to emerge. As the number of business entities increased, so did the responsibility to society. The 1950s saw the emergence of corporate responsibility towards its workers via the provision of security plans, healthcare assistance, and other perks. [2] Enacting civil freedoms for disadvantaged individuals was a major concern in the early 1960s. The lack of a legal mandate was one of the contributing causes. Unwillingly increasing the workforce and improving their financial situation was another issue. Additionally, the corporate houses concentrated more on achieving financial success.

One important factor that caused businesses to concentrate on the wellbeing of their citizens was the government's involvement for the benefit of society. Since the 1950s, and even now, the idea of corporate social responsibility has gained more prominence. Since its inception, corporate social responsibility (CSR) has evolved from conventional fear to moral action. [3]

INDIA AND CSR

Corporate social responsibility (CSR) has been around. Corporate social responsibility has progressed through many phases, the most notable of which are:

In its early stages, CSR was heavily influenced by cultural factors, religious practices, family traditions, and industrialization. The main basis for company operations and CSR activity was corporate self-regulation. Philanthropy and charity, the first form of CSR, still have an effect

on CSR initiatives, especially those that aim to better local communities. During the pre-industrial period and until the 1850s, merchants shared their wealth with the religious community by building temples and other religious structures. Moreover, "the merchant community played a significant role in ancient India, and the merchants opened go-downs of food and treasure chests to provide relief in times of crisis such as famine or epidemics" (Arora, four years ago). Changes to CSR occurred in the 1850s, when Western-style industry was introduced to India during the colonial period. Among the first to industrialize India in the nineteenth century were the dynasties of Tata, Birla, Bajaj, Lalbhai, Sarabhai, Godrej, Shriram, Singhania, Modi, Mahindra, and Annamali. As Mohan had previously said in 2001, they have a strong charitable dedication to corporate social responsibility. During the second phase of Indian CSR (1914–1960), when the country fought for independence, Gandhi's theory of trusteeship—which aimed to enhance and amplify social development—had a major impact. When this reform initiative was underway, Indian corporations were heavily involved. In addition to aiding in the country's social and institutional development, businesses saw the country's booming economy as a kind of defiance against British rule (India Partnership Forum 2002). [5] The "mixed economy" paradigm, which included the emergence of PSUs and stringent labor and environmental rules, had an effect on the third stage of CSR in India (1960–1980). Another hallmark of this period was the shift from self-regulation by corporations to heavy-handed public and legal oversight of business practices. In this view, the government was the driving factor for development. The 1960s were called a "era of command and control" due to the tight legislative limits that regulated private sector activities. Implementing a system of high taxes, quotas, and licenses greatly constrained the private sector and indirectly led to corporate misconduct. Politically and legislatively, issues of corporate governance, labor, and the environment rose to the forefront. To further guarantee that the poor got their fair portion of the income, the officials established PSUs (Arora, 2004). [6]

In the fourth phase, which began in 1980 and continues to the present, Indian firms and stakeholders began to move away from traditional philanthropic participation. Instead, they partly embraced the multi-stakeholder approach and integrated CSR into a unified and long-term corporate strategy. In the 1990s, in response to the problems with the "mixed economy," the Indian government sought to liberalize and deregulate the country's economy in an effort to bring it into the global market. Consequently, licenses were partly removed and rules were relaxed, leading to a surge in the Indian economy that is still going strong today (Arora & Puranik, 2004). [7]

Businesses in India are under growing pressure to meet their social and stakeholder responsibilities alongside their owners' profit maximization objectives. Indians are beginning to see, along with the rest of the globe, that a company's community performance determines the company's success. In a country like India, where economic and social disparity is so extreme, it is very essential that an ideal CSR address philosophical and ethical concerns. Not long ago, India was named one of the ten Asian nations prioritizing CSR disclosure standards. Businesses in the private sector, not public agencies, have been at the forefront of CSR initiatives.

THE KEY DRIVERS FOR CSR

Many businesses see achieving customer satisfaction as more important than CSR. CSR is becoming more and more popular among businesses for many reasons, such as: [8]

The concept of corporate social responsibility, or CSR, is increasingly being acknowledged as a strategic investment in business plans that enables organizations to make money while simultaneously advancing social and environmental goals. Brand reputation is enhanced and direct economic value is generated by incorporating CSR into business plans. Participating in CSR might help businesses win over the public and the government.

Rules and Laws: By regulating companies to make sure they don't have a detrimental effect on society as a whole, including its residents and the environment, the government and other unbiased arbiters play a crucial role in corporate social responsibility. Government-enacted laws and rules need to allow companies to function effectively while serving as a model for corporate social responsibility.

Skilled Worker Markets: These days, workers worry about more than just their paychecks and benefits; they want to work for organizations that share their beliefs and values. In order to attract and retain great employees, business owners are under increasing pressure to modernize their workspaces.

Philanthropy is a historical motivator that indicates a feeling of welfare or ethics. The significance of proactive social policy for multinational firms was emphasized by international organizations such as the International Labour Organization (ILO) and other post-World War I regulatory bodies. Ethical consumerism is another trend that has gained popularity over the last 20 years, and many people credit this to the growth of corporate social responsibility programs. The world's limited natural resources are being strained and prices are rising as a

result of the demand for products and services. There is growing evidence that businesses' ethical practices are having an increasing influence on consumers' purchasing decisions.

Businesses may face significant financial hardship as a result of globalization and market dynamics, including environmental constraints, government laws, and tariffs. Businesses may maintain a competitive edge by using their social efforts.

As a result of public education and growing awareness, corporate stakeholders are putting pressure on businesses to act responsibly. With the help of the internet and other forms of media, NGOs are also increasing their engagement in the fight against corporate wrongdoing.

Many businesses are implementing policies to make sure their suppliers are acting responsibly in light of the growing interest from stakeholders in corporate concerns. To protect their reputation from the actions or practices of competitors, several businesses are establishing supplier codes of conduct.

CSR POLICY RULES, 2014: A LEGISLATIVE MILESTONE

In accordance with Schedule VII and Section 135 of the Companies Act of 2013, the Indian Ministry of Corporate Affairs approved the CSR Policy Rules on April 1, 2014. These regulations were a sea change in regulatory participation as they set out explicit standards for CSR obligations in India [9]

The policy specifies in great detail the qualifications for eligible businesses, as well as the permitted categories for CSR expenditure, reporting, and transparency. A potential way to integrate CSR into the core of companies, the framework aims to ensure long-term social and economic benefits.



Figure 1: CSR Framework Adapted from National CSR Data Portal

If a company's net worth surpasses ₹500 crore, ₹1,000 crore in yearly sales, or ₹5 crore in net profit from the preceding fiscal year, it is required to comply with the Corporate Social Responsibility (CSR) rules outlined in the Companies Act. Companies with appropriate boards of directors may need to have a corporate social responsibility (CSR) committee with at least three members, at least one of whom must be an independent director. A minimum of 2% of the average net income from the preceding three fiscal years must go to corporate social responsibility (CSR) projects; the Board will decide the precise amount. A corporation should prioritize investing in local projects, particularly those listed on Schedule VII of the Act.

Eradicating extreme hunger and poverty	Promotion of education	Promoting gender equality & empowering women	Reducing child mortality and improving maternal health
Combating HIV, AIDS, malaria & other diseases	Ensuring environmental sustainability	Employment enhancing vocational skills	Social business projects
Contribution to the PM National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development & relief & funds for the welfare of SC, ST, other backward classes, minorities and women			Other such matters

Figure 2: Activities included under CSR Policy in Schedule VII

Corporate social responsibility (CSR) programs must be open and accountable in their reporting and execution if they are to be in compliance with the Companies Act of 2013. In addition to implementing suitable programs, businesses who are obligated to engage in CSR should also provide clear and structured reports detailing their CSR spending and activities.

The CSR Committee will fail in its duties if it deviates from established procedures. Among the responsibilities listed are the following: a) allocating funds for corporate social responsibility (CSR) programs; b) conducting regular reviews of the company's CSR policy to ensure it is current; and c) creating and presenting to the Board a comprehensive CSR policy that details the organization's commitment to the activities listed in Schedule VII of the Act. [10]

In order to implement the CSR policy, the suggestions made by the CSR Committee must first get formal approval from the Board of Directors. After a policy is approved, all related documentation, including a publication on the company website, has to be made public and easily available. Moreover, the Board has to provide sufficient funds for the CSR efforts that are required by policy to be implemented successfully.

SUSTAINABLE DEVELOPMENT

The International Institute for Sustainable Development defines sustainable development as satisfying present needs without compromising the capacity of future generations to do the same. This guiding ideology aims to ensure the long-term prosperity of both people and the earth by balancing economic development, social fairness, and environmental conservation.[11]

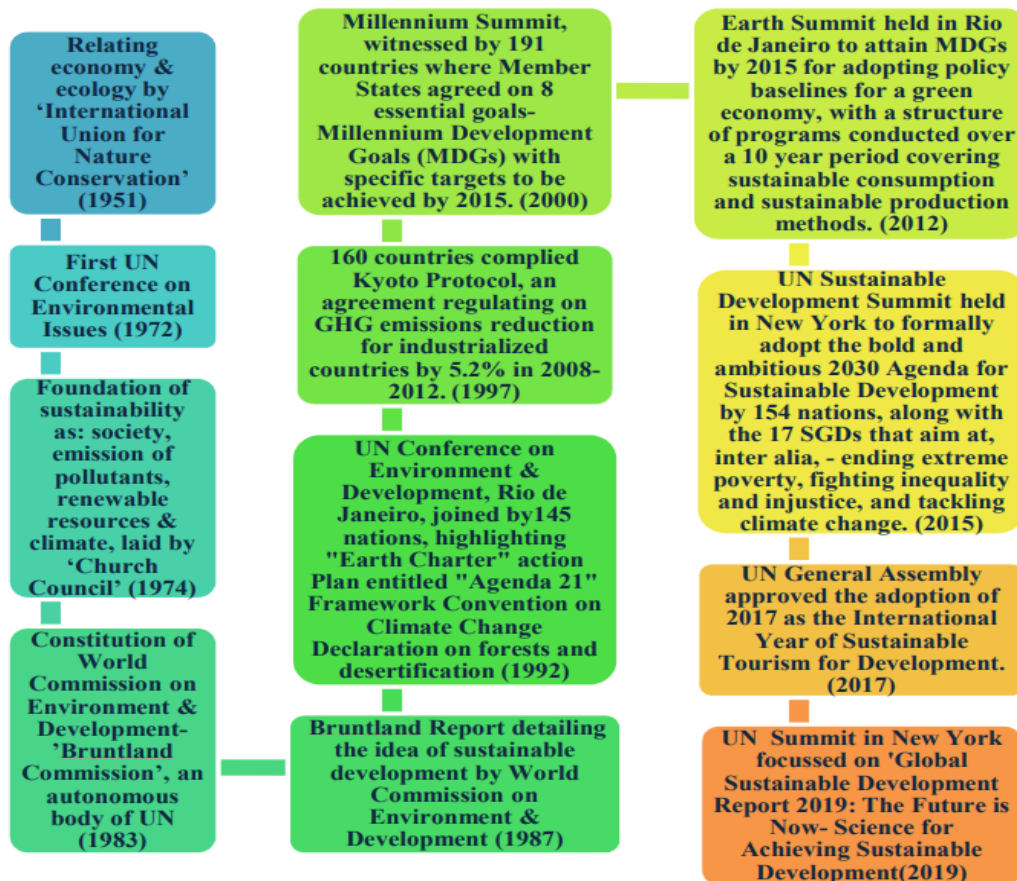


Figure 3: Sustainable Development Concept Chronology

An Introduction to Sustainable Development, written by John A. Boyd, Peter P. Rogers, and Kazi F. Jalal and published by Glen Education Foundation Inc. in 2008, offers a thorough examination of the concept "sustainable development." The plan's momentum is only now starting to build after simmering for more than 30 years. At the 1972 Stockholm United Nations Conference on the Human Environment, which started a worldwide conversation about how to advance society and the economy while simultaneously preserving the environment, this developmental perspective was presented.

An important step forward was made when delegates from 193 member countries approved the 2030 Agenda for Sustainable Development at the United Nations Sustainable Development Summit.

Promoting economic, social, and environmental progress were the three main objectives behind the creation of the seventeen Sustainable Development Goals (SDGs) and the 119 specific goals included in this comprehensive agenda.[12]

A multi-level strategy taking into account challenges at the micro and macro levels of implementation, in addition to national and regional plans, is required to accomplish the SDGs. By 2030, we must all do our part to eradicate poverty, preserve our planet, and provide prosperity for everyone.



Figure 4: Global Goal of Sustainable Development

A better life for all people is one of the many goals of the all-encompassing concept of sustainability.

Achieving the SDG has been a priority for the Jharkhand administration due to the state's distinct fiscal, ecological, and citizen-centric challenges. The objectives that have been established are:

- Availability of Clean Water and Sanitation Facilities;
- Access to High-Quality Educational Opportunities.
- Convergent Policy and Action Plan.
- Doubling Farmers' Income.
- Efficient and Effective Governance.
- Enabling Access to Energy.
- Enhancing Transport Connectivity.

- Improved Urban Living.
- Inclusive growth.
- Rural Prosperity and Quality of Life.
- Skilled Workforce and Growing Entrepreneurship.
- Industrial development that is both sustainable and job-oriented
- Sustainable forest management.
- Universal, Affordable and Quality Healthcare Services.
- Women Empowerment and Child Protection.

CONCLUSION

A critical legal analysis reveals that while CSR laws contribute to sustainability, gaps in monitoring, enforcement, and global uniformity persist. For CSR to become a truly transformative tool for sustainable development, there is a need for stronger legal frameworks, global harmonization, judicial oversight, and corporate commitment beyond mere compliance. By aligning corporate behavior with long-term societal interests, CSR can evolve from a statutory requirement to a strategic driver of sustainable growth.

References:

1. Lindgreen, A., & Swaen, V. (2010). Corporate social responsibility. *International journal of management reviews*, 12(1), 1-7.
2. Vasal, V.K. (2006). Corporate reporting in India (Financial and social performance disclosures) (1st edition). India: New Century Publications.
3. Latapí Agudelo, M. A., Jóhannsdóttir, L., & Davídsdóttir, B. (2019). A literature review of the history and evolution of corporate social responsibility. *International journal of corporate social responsibility*, 4(1), 1-23.
4. “Mohan, A. (2001). Corporate citizenship: perspectives from India. *Journal of Corporate Citizenship*, (2), 107-117.”

5. “India Partnership Forum. (2002). *Corporate Social Responsibility: Towards a Sustainable Future*. New Delhi: India Partnership Forum.”
6. “Arora, B. (2004). *India’s Corporate Social Responsibility: Emerging Issues and Challenges*. Geneva: United Nations Research Institute for Social Development (UNRISD).”
7. “Arora, B., & Puranik, R. (2004). A review of corporate social responsibility in India. *Development*, 47(3), 93–100.”
8. Balasubramanian, N. K., Kimber, D., & Siemensma, F. (2005). Emerging opportunities or traditions reinforced? An analysis of the attitudes towards CSR, and trends of thinking about CSR, in India. *Journal of Corporate Citizenship*, 17, 79–92.
9. Tsilikis, C. (2020). Milestones in forging the contemporary perception of CSR. An overview. *Academicus International Scientific Journal*, 11(22), 41-58.
10. Jain, A., Kansal, M., & Joshi, M. (2021). New development: Corporate philanthropy to mandatory corporate social responsibility (CSR)—A new law for India. *Public Money & Management*, 41(3), 276-278.
11. Parris, T. M., & Kates, R. W. (2003). Characterizing and measuring sustainable development. *Annual Review of environment and resources*, 28(1), 559-586.
12. Elliott, J. (2012). *An introduction to sustainable development*. Routledge.