



## **RECENT DEVELOPMENTS ON CORPORATE SOCIAL RESPONSIBILITY**

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### **ABSTRACT**

The corporate social responsibility is less importance under corporate sector, but this concept been added in our Indian culture heritage. Our Vedic science Vedas Puranas, Upanishads also forced quality and social responsibility of each person in this world about social distribution of wealth, animal welfare, plant life, non-pollution and poor feeding and environment.<sup>2</sup>

Hence the concept of corporate social responsibility in India can be recognized at the time of ancient time like philosophers of Kautilya from India preached and promoted ethical principles while doing business. The Indian businesses always embed with religion and charity it's like single coin two faces.<sup>3</sup>

The object of this paper is to discuss the Corporate Social Responsibilities and its issues challenges in India and highlight CSR regulations and human rights abuses caused by the business organizations. Since from ancient times the development of corporate social responsibilities emphasized local needs such as a hospitals, housing, and roads, big business sectors have given the importance of corporate social responsibilities because of violations of human rights.

In the past few years, many number of business state holders or owners and leaders their responsibility is not only maximize the profits of company and owners but with that social charity works like do what the community people, planet, and society at large.

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The corporate social responsibilities capture business responsibility to society, and also it must be done with sustainability, because of the business and society have lot of issues with environment and management. CSR is closely linked to sustainability that is creating economic, social, and environmental values.

The objective of this paper is to find out the pitfalls especially at the time of implementation of CSR activities for the protection of social, economic, and environmental issues.

**Key Words:** Corporate Corporate Social Responsibility, Sustainability, Environmental issues, Limited liability, Globalization

## INTRODUCTION

Corporate social responsibility is an integral part of business governance where the corporate stake holders must fill certain gaps and responsibilities. One side they will get profits another side their responsibility is to sustain the environment, social, as well as economic.

The scandals in corporate are at national and international level raises the importance of corporate social responsibility is very much necessary and important. And it pressures companies to develop such policies with standards and behaviors of companies to wards public and nation.

In India companies like TATA and Birla are practicing the Corporate Social Responsibility long before when CSR become a popular basis. Despite having such good, glorious examples in India CSR is very much building stage, a lack of understanding, inadequately trained personnel coverage, policy etc. large number of companies undertaking these activities superficially and promoting/lighting the activities in Media.<sup>4</sup>

The impact of CSR activities in corporations are creating drastic changes in social issues and outcomes such as reduced environmental

impact, improving working conditions, community development, or positive social change, and the corporation collaborating with other stake holders, including NGOs, governments, and industry peers, to address common social and environmental challenges.

## THE MEANING AND CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

The Idea of corporate social responsibility is do something to the society environment around it. This activity shall impact positively in this world. Social responsibility may be changed from place to place and different from organization to organization. There are different kinds of corporate social responsibilities.

1. Environmental responsibilities: it will refer to the organization that should behave and work and do less harm to the environment, especially i.e environment friendly. This is one of the important and common forms of corporate social responsibility. Some of the corporates have taken hard steps or initiatives regarding environmental protection. The following are some of the forms of corporate social responsibility with respect to the environment.
  - Reduce harmful practices, such as greenhouse emission, the use of single use of plastics, water consumption, and green waste.
  - Regulating energy consumption by increasing use of renewable, sustainable resources, and recycled materials.
  - Planting trees, funding trees, and donating funds for development of environment etc can be done for sustainable environmental protection.
2. Fair responsibility: this is more concerned with corporate ethical responsibility. The

4. Nilesh R. Rerad, "Corporate Social Responsibility-Issues and Challenges in India", PP.101, also available on website <https://icharity.in/wp-content/uploads/2017/11/csr-challenges.pdf> visited on 6-6-2023.

corporate must show fair treatment to all stakeholders, including leadership, investors, employees, suppliers, and customers.

The corporations have so many different methods for ethical responsibility ex.g. Higher minimum wages, prohibition of child labour, and slavery, implementation of social welfare laws strictly.

3. **Broad responsibility:** the main objective of the business is to make the nation, world and society must be in better place, and the environment.
4. **Economic Reasonability:** the goal of the business is not only maximizing profits, but also make sure the business operations must positively impact on environment, people, and society.

### **WHO IS INVOLVED IN CSR?**

The corporate social responsibility practices have been deeply rooted in business. Its impact is not only on national corporations but also in multinational corporations, and state-owned enterprises are responsible. Especially the corporations of large public projects like canals, roads, building, subsequently. It shows that the limited liability towards society.<sup>5</sup>

In India, the Companies Act, 1956 does not involve any provisions regarding to corporate social responsibility. When the amendment of companies Act, 2013 sec 135 added the provision of corporate social responsibility and the new act removes the weakness on old companies Act, 1956 in the sector of corporate social responsibility activities. This is mandatory that the stakeholders must fund and investments for CSR activities.

The scene of SCR in India changed with the introduction section 135 of the Companies Act, 2013. The new Companies Act has removed the weakness in the old Companies Act of 1956 around corporate social responsibility activities. India has become the only country in the world with legislated corporate social responsibility and spending threshold of up to \$2.5 billion or 15000 crores. Corporate social responsibility has been made mandatory under the new regulation and there are provisions of penalties in case of failure.

### **BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY**

Corporate social responsibility is one of the tools to company to bring benefits to society and environment and it will help a company position in the eyes of consumers, investors, and regulators. CSR initiatives can also improve employees' engagement and satisfaction.<sup>6</sup> With respect to the revenue of the employer will be increasing because of good leadership, and CSR gives people platform they need to make a difference in local and global communities. Ex. The TOMS Shoe brand company positively impacted lives globally with donations of 100 million pairs shoes, committed to impact grants and provided over 7000.000w weeks of safe water. We can imagine the impact of SCR. Proper CSR activities will give the company a chance to showcase consistency and win loyalty, which ultimately converts into customer retention and increased sales. According to recent research and developments 90% of the Americans are more likely to buy a product from company that they can align their values with, and over half of all consumers are willing to pay extra for product if they are buying from a company with CSR Strategy.<sup>7</sup>

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5. Jermy Moon, "Corporate Social Responsibility" a very short introduction, Oxford presss.pp.6-7

6. <https://online.hbs.edu/blog/post/types-of-corporate-social-responsibility> site visited on 25-5-2023.

7. <https://benevity.com/resources/corporate-social-responsibility-benefits#:~:text=Excellent%20CSR%20gives%20a%20company,to%20showcase%20they're%20trustworthy.> Site visited on 17-7-2023.

## RECENT DEVELOPMENTS

Since the 1990s corporate social responsibilities emphasize on social impact on own business operations such as health, safety, diversity, and equal opportunities and consumption of resources. International supply chains for ex. labour conditions in developing countries, agriculture, textile, and footwear industries, and this CSR emphasis on generate policies on produce and services, packing and recycling of alcohol, children food and drink products, some corporations are selecting the market producers and services precisely for their social responsibility criteria.

Some of the key points with respect to recent development in CSR

- In every corporation Environmental, social, and Governance factors have benefited more attention with CSR practices. Specially for human rights, data privacy, climate change, and executive compensation,
- With respect to stakeholder capitalism the companies are focusing on long term value creation, sustainable growth, and social impact, rather than prioritizing short term profit.
- Many of the corporations have adjusted and adopted sustainable development goals. This will guide companies to contribute to societal goals and demonstrate their commitment to sustainable development.
- Corporations are concentrating on improvement of labour conditions, prevent forced labour, child labour.
- Many of the companies are concentrating on safe work environment, supporting mental health, and ensuring equal opportunities for all employees.

- Companies are adopted innovative methods for sustainable packing, renewable energy technologies, and social impact through digital platforms.<sup>8</sup>

## GLOBALIZATION AND CSR

Globalization is one of the important factors and that has changed completely the business factor. Also, this phenomenon impacts on Indian economy, business life, society, and environment in different ways, most of the corporations been affected by these changes. The rapid changing of technology and easy way of transfer of information leads the companies can get good profit. Hence corporations are a vital part of society which needs to be organized properly.<sup>9</sup>

Globalization is nothing but free movement of goods, services, and capital. And it integrates economies, culture, technology, and good governance. Globalization has created a facility to transfer information through globally, skilled employees' mobility, exchange of technology, the flow of financial funds and geographic arbitrage between developed countries and developing countries.<sup>10</sup>

Globalization came into force for the purpose of elimination of state involvement in exchanges of goods and services, information integrates the global system of production and exchanges.

Due to globalization the national government shall lose its power and control over businesses that have expanded their activities beyond its borders. Also new social and environmental challenges shall arise, and it will not be controlled by a single government. entity. for example, global warming, crime terrorism, and disease and the presence of international organizations and organizations like civil society groups, international laws and courts,

8. <https://www.goodera.com/blog/corporate-social-responsibility-trends> site visited on 23-6-2023.

9. Annet Kabugo Nabatanzi-Muyimba, "Globalization and Corporate Social Responsibility", pp.73, Makerere University Business School, July 2022.

10. David crowther and Guler Aras, "Corporate Social Responsibility" Book and Book publisher, PP.79

whose activities are not restricted to a particular area, will impact on global business.

- Increase of competition: consumers have many choices in the market as well as they can acquire goods and services quickly and in a more efficient way. Customers expect high quality of goods with a chief price. To reach this goal the company needs to respond properly otherwise the profit and sales of the goods shall decrease, and they will lose a good profit share. The company must concentrate on profit, price, product and services and customers' preference, all these are global market requirements.
- Exchange of technology: there would be new technology and it creates more exploitation in business at the national and international level. E-commerce companies must maintain potential for small and medium scale enterprises, and also face international market challenges. In the present scenario technology is one of the main tools for competition and maintains the quality of goods and services.
- Knowledge/ information transfer: in the global era and advancement of information and technology created easily transfer and exchange of information globally. This technology can be easily adopted by companies. The rapid changing of the market requires also quick transfer of knowledge and efficient using of that knowledge.<sup>11</sup>

## **WHY THE CORPORATIONS ARE SOCIALLY RESPONSIBLE IN THE GLOBAL SOCIETY**

In modern sense the corporations are socially responsible because there would be more and

higher risk of labour profession with higher risk of exploitation by multinational corporations. Then all the corporations have gotten the benefits from society hence they have an obligation to society. The corporate social responsibility will improve long term profitability of the company because it will reduce the risk and inefficiencies and generate other benefits.

## **LEGALITY OF CSR IN INDIA**

In modern days the concept of corporate social responsibility has emerged as more influential over the day-to-day activities. This concept of CSR in India is in a very critical stage. It is still one of the least understood also initiatives in the Indian development sector. There is a lack of balance between understanding corporate social responsibility and trained personnel. And also, there would not be availability of authentic data and specific information for corporate social responsibility activities program in India.

There would be a lack of understanding of corporate social responsibility and inadequately trained personnel, non-availability of authentic data and specific information on the kinds of corporate social responsibility activities. In India recently adopted world standard CSR law, that is if the companies doing business with a worth of 500 crore, turnover of 1000 crore and net profit of at least of Rs. 5 crores, spend at least two percent of their profit on CSR, spend at least two percent of their profit on CSR.<sup>12</sup> Chartered Accountants Association, Surat v. Union of India, in this case the challenge of constitutional validity of sec 135 of companies Act, 2013, states that companies must spend certain profits on CSR activities. Gujarat HC emphasizing the importance of CSR in promotion of social welfare and development.<sup>13</sup>

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11. *Supra note 5, pp.80.*

12. Kalpana Sharma, "Corporate Social Responsibility: An Overview of Indian Perspective" 2016 IJL pp.10.

13. (2001) 4 GLR 3630.



## **NEW CHALLENGES OF CSR**

Less perception towards CSR: many National companies in India fail to develop CSR into the heart of their brand, hence corporate social responsibility can't become the business strategy. So that it is used purely as a marketing tool, which is no longer accepted by consumers.

In India most of companies are thinking differently and this issue is contemporary for their business and consumer's satisfaction is more important. By the way, regarding price and service, the companies can satisfy their consumers, but they fail to point out important changes that are taking place worldwide that could blow the business out of the water. The change is called social responsibility, which is an opportunity for business.

Due to globalization the world becomes a small village this leads to different cultures and lifestyles and the impact of globalization dilutes our cultural values and traditions. These phenomena expand over national borders with mutual dependences are created emerging new responsibilities. Globalization is weakening the power of political authorities and controlling the activities of companies that globally expand their operations. There are different effects of globalization like

- Multinational corporations can split their operations and shift them to those regions that promise the optimum contribution to profit maximization.
- Minimizing tax burdens as well as those that minimize the cost of producing goods. As result national governments might be forced into a race to the bottom to win the competition with other countries for attracting corporate investments.

Regulatory effect: in the new era the nations are facing new challenges like global warming, Covid-19 impacts, corruption, deforestation, and

human rights are issues that have a strong impact on corporations. These issues shall not be resolved independently hence they have limited sphere of influence for these problems.<sup>14</sup>

The main challenge in proper implementation of CSR is finance and marketing, and also there is no clear or proper framework of CSR Business can follow.

Another challenge with CSR is the lack of transparency and accountability. For CSR to be effective, it is important for companies to be open and honest about their efforts. This means disclosing information about their environmental and social impacts and the steps they take to address any negative impacts; however, many companies are not transparent about their CSR efforts, which can undermine trust and lead to skepticism about their commitment to social and environmental responsibility. To overcome this challenge, companies can implement robust CSR management systems that provide detailed information about their CSR activities and impacts. They can also engage with stakeholders, such as investors, employees, and customers, to solicit feedback and input on their CSR efforts.

Another challenge is difficulty is balancing short term economic considerations with the need to implement sustainable, long term CSR initiatives. In today's fast-paced business environment, companies are under constant pressure to generate profits and deliver value to shareholders. As a result, many companies may be hesitant to invest in CSR programs that may not provide an immediate financial return.<sup>15</sup>

To resolve these challenges, it is important for businesses to work together and develop clear guidelines and regulations for CSR initiatives. This can help to ensure that all businesses are operating in a consistent and responsible manner and can

14. Andreas Georg Scherer, "Globalization and Corporate Social Responsibility" SSRN version of Feb,2009, pp.3-14.

15. <https://www.cyberswift.com/blog/csr-challenges-and-resolutions> site visited on 6-6-2023. Challenges & Solution CSR initiatives.

help to create a more coordinated and effective approach to CSR. In addition, business should also invest in research and development to find constant effective and efficient ways of implementing CSR initiatives.

### **CSR Cases**

Shells 2004 scandals on misreporting of its oil reserves.: in 2004 shell company overestimated oil reserves by 40% that assessment been made by the Director. As the case the chairman have acted against Chief financial officer because of they have a knowledge of this but did not correct it. When investigation been made it revealed that approximately 2.3 million barrels of proved reserves were non complaint. Hence, the failure to disclose, violation of the US securities law and reputation of the shell company been damaged. Shell had a much-publicized CSR policy and was the pioneer in triple bottom line reporting.

Exxon Mobil shipping company case: both companies were merged in in 1999. This merger was intended to bring about cost savings and maximize profits, but due to Bessel crashes near Alaska 38,800 metric tons of crude oil leaked into the ocean. This affected more than thousands of miles. The disaster directly impacts sea environment, and the company was liable for \$4 billion paid by Exxon in cleanup costs and criminal charges.<sup>16</sup>

### **CONCLUSION**

in modern world Corporate Social Responsibility is like a mirage and most of the corporations have taken it like market tool, their concentration is profiting moto and most of the corporation are doing CSR activities for name's sake in market.

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16. *Supra note-9 pp.88-89.*

With respect to the multinational company's globalization is tool to enter into the different countries market also they do not have any bother about the environment and society that is also one of the reasons for many developing countries are facing global warming problems.

With my submission here is in the globalization era need to adopt win-win method to resolve these problems.

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