

## **Gearing Towards Sustainability-Centric Era**

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**Abstract:** *Corporate Social Responsibility (CSR) is a term invariably used from a way back, however the concept has started to attract the greater attention of policymakers in the light of increasing social, economic, environmental lapses and rising scams and crises. Further, Board of directors are driven towards considering the interest of shareholders and increasing their Earning Per Share (EPS), earlier which was looked upon as the sole major attribute of good financial health of the company. However, during the present times, this age-old notion has started to crack. A pressing concern has been created on the Board of directors to set aside the shareholders supremacy notion and take into account the overall interest of stakeholders for continued success of the organization. This paper discusses how the corporate social responsibility, at the pinnacle of company's viability, should be looked upon with greater attention, so that the organization emerge stronger and more resilient.*

**Key Word:** *Corporate Social Responsibility (CSR); Board of Directors (BOD); Stakeholders; COVID-19; Micro, Small & Medium Enterprises (SME), Ministry of Corporate affairs (MCA)*

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### **I. Introduction**

“CSR is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development” (World Bank, 2013). Initially integrating CSR into the company's policies was believed to be a challenging task. However, corporates have now learned to sustain under the legislation, which is in place for over 5 years now. Certain companies such as Indian oil, TATA, BIRLA have continued to contribute to society even before the legislation was brought into being, realizing it to be the need of the hour. As a matter of course, firms associated themselves with short term gains by centralizing means and efforts towards growing numbers on the quarterly report and financial results rather than laying the foundation for long-term success. Such focus opposes the theory of sustainable development, which requires the firm to meet the needs of its stakeholders in the future as well as today. Some corporates, however consider it as an additional burden. Nevertheless, the long-term benefits of the policy certainly outweigh the cost involved.

### **OBJECTIVES OF THE STUDY:**

The paper addresses the following objectives:

1. To study the conceptual framework of CSR initiative – Evolution and its Advancement
2. To study the policy initiatives adopted by regulatory authority
3. To examine the role of stakeholders in implementing CSR
4. To analyze the initiatives taken by few corporate houses towards CSR during COVID-19
5. To understand the impact of CSR on startups and MSME sector
6. To suggest measures to adopt and streamline CSR voluntarily

### **II. Material And Methods**

The present study is based on secondary data accumulated from various sources comprising of Journals, Research papers, Articles, Official websites of Ministry of Corporate affairs (MCA) and annual reports of referred companies. The data was analyzed in view of objectives of present research paper.

### **III. Background And History Of Csr In India**

The concept of CSR has evolved in the light of significant economic growth and integration into world economy. Though the terms philanthropy, charity has been around the corner since 1900's but the need of CSR perplexed post liberalization. At the outset, wealthy merchants, Industrial families like Godrej, Bajaj took social factors into consideration along with economic. Philosophers like Kautilya emphasized the need to follow ethical practices and principles while conducting business. The business community with their rulers believed in the philosophy of “Sarva loka hitam” which means “the well-being of all stakeholders”.

**The UN Conference on Human Environment and Development** – The first major UN conference on environment was held in the year 1972. It prescribed 26 principles relating to environment and development.

**Approving various legislation:** Post 1972, various laws for environmental protection were approved emphasizing the need for its protection such as s Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Environment Protection Act, 1986.

**CSR survey 2002** – A survey was conducted by the United Nations development programme which covered 19 industrial sectors. Respondent companies identified, “Good corporate citizenship and CSR initiatives inextricably linked with improved brand reputation.” The survey was considered as the major driving factor of CSR in India.

**Corporate Social Responsibility Voluntary Guidelines 2009** – MCA in the year 2009 came up with voluntary guidelines that covered 4 broad elements: Care for all stakeholder, Ethical Functioning, Respect for Worker’s Right and Welfare, Respect for Environment.

**National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business** – The guidelines were laid down by Guidelines Drafting Committee (GDC) constituted by the Indian Institute of Corporate Affairs, providing 9 broad principles concerning business responsibilities of corporate.

## **PARADIGM SHIFT**

Consumers, in light of ethical and environmental issues have started to favor organizations taking social factors into consideration. Further, notions such as good corporate governance, social responsibility, sustainable development are viewed as a matter of grave concern. Lately, it has been observed that much of the corporate’s motivation for contributing towards CSR is driven by significant business risks associated with ignoring the same. And plausibly, companies that take no notice of their moral, social and ethical responsibilities are more certainly inclined to land up into legal troubles. Furthermore, Companies bearing unethical reputations are likely to be snubbed by masses and other business houses. Thus, the consequences of non-compliance are immense.

Witnessing the situation of COVID-19 has further brought the concept of Corporate Social Responsibility into forefront. Many corporates have realized that well-being and interest of their business lies in the wellness of its stakeholders. Considering that, there has been an apparent transition from what was earlier considered as an obligation or charity to be viewed as business responsibility.

## **POLICY INITIATIVE**

Need for an instigating legislative push was felt and that is when the concept of Corporate Social Responsibility was laid down by the Ministry of Corporate Affairs (MCA). On April 1, 2014, India became the first country to legally mandate corporate social responsibility for certain companies falling within the bracket of: having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more. Further these companies are required to spend at least two per cent of the average net profits made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. The expenditure can be made in activities mentioned under Schedule VII. Besides the overall guidance framework laid down by the ministry, the law provides enough autonomy and flexibility to channelize corporate’s funds in the right direction. CSR reporting has been made obligatory and forms part of annual report of the company. Further, amendments have been placed according to which contribution to PM Cares fund, contributions to certain projects, public funded universities, subject to certain conditions quality as a valid CSR Expenditure.

The Securities and Exchange Board of India (SEBI) has mandated top 1000 listed entities (based on market capitalization) to include environmental, social and governance initiatives taken by them in its business responsibility report (BRR). The BRR report further forms part of Annual Report of the company.

## **IV. Discussion**

### **CSR IN 2020**

The world is going through unprecedented times. What seemed as a public health crisis that would last only a limited period of time has suddenly transformed into an alarmingly giant tribulation, pushing us into a dark tunnel with no end in sight. No matter the intensity of its effect on one’s business, is true for a fact that none has remained unaffected by the same.

Government of India has taken various initiatives to battle the disease. To begin with, novel coronavirus outbreak was declared as “notified disaster” so that state government could mobilize resources from the State Disaster Response Funds (SDRF). Further, Schedule VII was amended to include a range of activities to be considered as a valid CSR expenditure. Invest India set up a CSR specific assistance cell to assist corporates to channel their CSR funding into various governmental and non-governmental organizations. Various Central and State-level funds were set up for COVID-19 relief.

Amidst the circumstances, many companies strived to aid government in its efforts to combat COVID-19. To name a few:

**Infosys limited:** “CSR can’t be merely a job, it’s a passion,” says Sudha Murthy, Chairperson, Infosys Foundation, the CSR segment of Infosys. In fiscal 2020, the company spent nearly Rs. 360 crores towards various CSR schemes. Further, it has actively supported COVID-19 relief measures pan-India by contributing to the PM CARES Fund, helping hospitals, destitute, daily wage workers and underprivileged sections of the society, constructed a dharmashala at AIIMS, Jhajjar, provided training to teachers in Andhra Pradesh and Odisha.

**Mahindra & Mahindra ltd:** The company has built the 'Rise for Good' mission around the four pillars of Community, People, Governance and Environment. Further, its contribution in terms of Project Nanhi Kali, Mahindra Pride Schools, Mahindra Hariyali, setting up of COVID-19 relief fund, formed part of its CSR initiative. The company spent INR 126.59 crores on CSR initiatives during the financial year 2019-20. The entity runs by its CSR vision “to focus our efforts within the constituencies of girls, youth and farmers by innovatively supporting them through programs designed in the domains of education, health and environment, while harnessing the power of technology”.

**ITC Limited:** The ITC Education and Healthcare Trust and ITC Rural Development Trust has set up a COVID Contingency Fund of 215 crores to help the victims of the COVID-19 pandemic and in controlling its spread. The total CSR expenditure for the financial year 2019-20 of the company stood at 326.49 crores. ITC’s core values are further aimed at developing customer-focused, high performance organization which creates value for all its stakeholders.

**Bharat Heavy Electricals Limited:** BHEL’s CSR mission statement goes like: “To sincerely & effectively discharge company’s responsibility in the identified CSR thrust areas and other areas listed out in the Companies Act, 2013”. The company spent 35.12 crores towards its corporate social responsibility initiatives during the FY 19-20.

**Reliance Industries:** Reliance Foundation launched a programme to distribute food to the needy through its Mission Anna Seva. As of June 10, 2020, Mission Anna Seva provided over 5 crore meals across 78 districts, 17 states and 1 union territory. During FY 2019-20, Reliance spent 1,022 crores in supporting programmes under its corporate social responsibility initiatives.

## **CALL FOR STAKEHOLDER ENGAGEMENT**

As part of community, a corporate vehicle is viewed to have certain responsibilities towards human-kind, society and environment. However, the major driving force behind any corporate is its relationships with customers, employees, suppliers, communities, investors and others, collectively known as the stakeholders. To reap the benefit of stakeholder engagement in formulating an effective CSR policy, its paramount to build and periodically analyze the cyclic process:

1. **Stakeholder Gauging** – planning and determining the prospective associates
2. **Stakeholder Segmentation** – listing prospective associates in order of priority for effective commitment, unification and outcome.
3. **Stakeholder Engagement** – involving relevant stakeholders for a pre-defined purpose to achieve agreed CSR outcomes.

Stakeholder engagement is necessitated in order to identify key-focus areas, identifying emerging trends, streamlining company’s operations pro-actively, promoting innovation, working towards risk reduction and further building social capital.

### CSR FOR START-UPS?

When thinking of establishing a start-up, much of the attention goes in figuring out innovative ideas, building products, seeking investors, accumulating and allocating funds, while the concept of CSR gets lost in between. Most of the firms have eyes on profit and revenue, while it's seen those who align CSR initiatives into their business activities, are more likely to succeed. Profitability is undeniably a driving force and aim of any corporate vehicle, however it shouldn't be the only thing you strive to achieve. As part of a society, it's a moral duty even if not obligatory, to give back to the society. Integrating the initiatives from the grassroots can certainly help boost employee morale, leverage reputation and sales and ultimately building a better world.

During the year 2001, UNIDO launched a triple bottom line demonstration project in India. It is defined as a strategy through which a company achieves a balance of economic, environmental and social imperatives ("Triple-Bottom-Line- Approach"), while also address the expectations of shareholders and stakeholders. Initially, the project was tested on three sectors namely Leather, Apparel and Textile sector.

The project resulted in avalanche of benefits comprising of financial savings (e.g. reduction in electricity, water and raw material consumption), environmental improvements (e.g. reduction in solid waste generation), social improvements (e.g. accident risk reduction, improvement in health/working conditions) and product improvements (e.g. better quality, increased yield, rejections reduction). Further, significant improvements in the labour relations were witnessed during the implementation of project. The TBL approach proved to be considerably successful for start-ups.

Though CSR is not mandated to be followed by a startup in its initial areas of operations, till it reaches the mark stipulated under Section 135 of Companies Act, 2013, yet there are business houses who have adopted the concept right from their inception. To cite a few:

**Crushxo:** Dealing in gemstone-infused, cruelty-free, radiant and impact-driven beauty products. 5% of its proceeds go to a nonprofit cause. Some of its projects creating a change are: #CRUSHGENDERCIDEXO – Goal is to raise \$20,000 to fund the salaries of female social workers dedicated to rescuing discarded girls, feeding and educating them. #CRUSHINSECURITYXO: Goal to enroll 200 girls in The Girl Power Project, a program that keeps girls in school, teaches them reproductive health, entrepreneurship, and self-defense.

**Ola:** Ola Foundation, is a social welfare arm of OLA, holding a vision to empower women from low-income groups to become changemakers and leaders in their communities, thereby contributing to nation-building. The foundation further provides Employment Linked Skill Training, Financial Literacy Education and Employment.

### CSR IN SME:

"In order to have a meaningful impact, companies should value diversity and inclusion from Day One."  
– Christine Tsai

The Micro, Small and Medium Enterprises (SME) sector has grown remarkably during the past few years and inherits an essential function of generating employment opportunities on a large scale coupled with contributing towards economic development of nation. The sector contributes 7% to India's GDP while accounting for 45% of the total manufacturing output and 40% of the exports from India. CSR since primarily focused on large corporations fails to grab the attention of owners of SME's. Thus, leaving them engrossed up in their short-term survival objective.

In most regions of the world especially developing countries, SME's constitute a major chunk of business. While their individual contribution might not seem enough, collectively the impact is huge. Concentrating majorly around towns and villages, SME's are in a better position to unearth local resources, figure out local problems and ultimately find the best possible solution. Thus, it becomes extremely important for them to analyze and incorporate ecological, social, economic parameters into their business practices.

The reason why CSR becomes pressing for the SME's is since it serves as a competitive advantage, in the wake of informed public and growing concerns on sustainable development. Further, it can help augment sales and serve as a marketing tool.

**Elin Appliances Private Limited** is involved in the business of Designing & Manufacturing Tools, Metal and Plastic Parts, Motors and Domestic home appliances. The company was a proud recipient of FICCI CSR Award for Small & Medium Enterprises (SMEs) for the year 2016-2017.

## V. Suggestions

The points mentioned below are some strategies to incorporate CSR since the very foundation:

**Embark Slow:** World is full of CSR opportunities and there is always an option to start small which eventually would lead to massive benefitting outcomes. It's an important question to ask yourself in the very beginning, what are the driving forces behind the business idea? What aspects have an impact over stakeholders at large?

What are the compelling needs of society in which business chooses to operate? Standing by the profit-making notion of business houses upheld by a purpose creates a more profound sense of meaning among employees adding to their deep-rooted commitment and sense of belongingness.

**Begin internally:** Primarily, inculcating among employees, business partners a vision of building a startup culture driven towards social change, can work wonders. Progressively, employees prefer working for organizations whose values reverberate with their own. Few practical CSR activities a business vehicle can reap includes: Establishing policies to ensure the health and safety of all employees, Promoting diversity and human rights, Providing safe and healthy work environment, Using renewable sources of energy etc.

**Reach out to near communities:** Connecting with communities and addressing problems around would help see the direct impact of initiatives taken. Business are accustomed to have a deeper understanding of limitations, problems revolving around areas they operate. Thus, making it easier to target and reap mutual benefits. Company can resort to: Encouraging employee volunteering in the community, Donating or providing discounts on its products and services to NGO's or community groups. It has been ascertained that about 88% companies have implemented projects in the locality of their presence.

**Integrate CSR to business objectives:** Innovation, research and development are no new concepts for any start-up, or growing businesses. At the outset, evaluate your business, resources and energy consumption and figure out simple ways to integrate social, economic, ecological aspects into your business. Google say for an example strives to appraise pretty nearly every aspect of their business with social repercussions. From building energy-efficient, low carbon supply chain to using geospatial tools to create positive change in India.

**Pledge to social responsibility:** "Companies can do more than just make money; they can serve others." Marc Benioff, Chairman & CEO, Salesforce. Pledge 1% is a global movement that encourages and empowers companies of all sizes and stages to donate 1% of their staff time, product, profit, and/or equity to any charity to make the principle of "giving back" a priority.

## VI. Conclusion

"Creating a strong business and building a better world are not conflicting goals – they are both essential ingredients for long-term success" – Bill Ford

The Companies Act, 2013 along with CSR rules and regulations, have proved to be a profound leap on the right track ushering the need of holistic development among the corporates. The law, at the same time also provides autonomy and flexibility to design and implement programmes. CSR has become a fundamental and significant part of corporate houses, accounting a total of INR 71, 277 Cr spent on 1,05,358 CSR projects till FY2019. Education, health and rural development have been reported to be the top three divisions receiving maximum funding. Looking down the line, the hope must be that corporates will be doing much beyond adhering to statutory compliance requirement mandated by the act.

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