



The Impact of Corporate Social Responsibility on Organizational Performance and Sustainable Development in India

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Abstract

Corporate Social Responsibility (CSR) can be described as the continuous dedication by corporations towards the economic and social development of communities in which they operate. It is the moral obligation to do something for the betterment of others without expecting anything in return. Corporates may fulfill its social responsibilities in numerous ways by promoting education, protecting natural environment, preserving art and culture, conserving energy resources, adopting sustainable business practices, fair recruitment policies, and various other support programs. By removing socially harmful behavior or consciously encouraging social objectives, CSR can be passively followed.

Today, CSR in India has gone beyond simply charity and donations, and is approached in a more organized fashion. It has become an integral part of the corporate strategy. Companies have CSR teams that formulate specific policies, strategies and goals for their CSR programs and set aside budgets to support them. The basic objective of CSR in these days is to maximize the company's overall impact on the society and stakeholders. CSR has gone through many phases in India.

The present study aims to understand the concept of Corporate Social Responsibility as a very important aspect of sustainable development and social equity. This study tries to understand the impact of Corporate Social Responsibility on organizational performance and its role in fostering sustainable development thus enhancing social welfare.

Key Words: Corporate Social Responsibility, Organizational Performance, Sustainable Development.

Introduction

We are living in a world surrounded with numerous problems related to environment and society. CSR (Corporate Social Responsibility) is a means to sort out these problems to some extent because business is a part of society. Earning more and more profits is a natural phenomenon of every business unit but social responsibility is an obligation to the people living inside and outside the business organizations. Business comes in contact with various groups of society such as owners, employees, customers, government, suppliers etc. The responsibility of business, which includes satisfaction of these parties along with the owner, is called social responsibility of business. While there may be no single universally accepted definition of CSR, each definition that currently exists underpins the impact that businesses have on society at large and the societal expectations of them. Although the roots of CSR lie in philanthropic activities (such as donations, charity, relief work, etc.) of corporations, globally, the concept of CSR has evolved and now encompasses all related concepts such as triple bottom line, corporate citizenship, philanthropy, strategic philanthropy, shared value, corporate sustainability and business responsibility.

In early years, CSR was just a part of marketing strategy for creating a good market image in the minds of people, but today it has emerged as a part of strategic practices. In recent years, corporates started implementing strategic management practices related to social responsibility in order to achieve the of organizational goal of sustainability. Corporate Social responsibility encompasses the commitment of organizations to consider not only economic drivers but also social and environmental drivers. This practice has significantly expanded, and has become one of the pillars of organizational sustainability. In order to achieve the goals of

sustainability, corporates must behave socially responsible. This will result into various non-monetary benefits to the organization along with increase in financial performances. These are vectors of sustainability as they influence the perception level towards the corporates. In the present study the researcher has made an attempt to study the impact of CSR on organizational performances contributing to sustainable development.

Review of Literature

- **Pallathadka, Harikumar & Pallathadka, Laxmi Kirana. (2020)**, in his research article “The Impact of Social Responsibility on Organizational Performance”, has studied the effect of corporate social responsibility in India through stakeholder participation in the economic success of small and medium-sized companies as a driver of media coverage. The data was analyzed using partial sampling technique. The data analysis showed that respondents accepted and strongly agreed that the influence of organizations on their CSR activities would significantly improve the employees' outcome. The CSR activities of the organizations optimize the employees' positive and engaged thinking. The findings of the study reveals that that CSR results into the better financial performances of the businesses.
- **Marina, V. et al. (2023)**, conducted research on “Impact of Corporate Social Responsibility on the Effectiveness of Companies' Business Activities”. The research suggests that companies benefit from sustainable business development and actively implement the CSR strategy. CSR has a positive effect on business performance and financial sustainability. Whether a business is large or small, it should consistently practice corporate social responsibility in line with the government's core strategy. The CSR must be in line with the national strategy. The corporate social responsibility can be integrated into the new development model. The positive energy of corporate social responsibility needs more publicity, promotion, and dissemination so that more companies, consumers, partners, and other stakeholders can follow it and be motivated to implement social activities on a continuous basis.
- **Sharofiddin, Ashurov et al.** studied the complex relationship between Corporate Social Responsibility and its key role in advancing sustainable development and social welfare. The findings of the research study reveals that the upward trend in CSR-related publications from 2009 to 2019, with a significant peak in 2021, The COVID-19 pandemic has sparked a surge in academic and practical interest in utilizing CSR for global sustainability challenges, showcasing the CSR community's swift response.
- **Marian, Cazacu. (2023)** has examined the direct and indirect effects of CSR on organizational financial performance as perceived by employees of organizations. The investigation used structural equation modeling to evaluate and describe the nature of the relationship between these two variables. The findings of the research revealed a strong effect of social responsibility on organizational financial performance. In relation to financial performance, investing in CSR initiatives yields a number of immediate benefits from a variety of sources, including easy access to capital, affordable financing, attracting talents and retaining them and winning customer loyalty.
- **Tripathi, S.K. (2024)** has examined Corporate Social Responsibility (CSR) initiatives in India and their contributions to the Sustainable Development Goals (SDGs). Several conclusions have been drawn from an examination of the regulatory environment, significant corporate social responsibility programs, impact analysis, and alignment with the SDGs and triple bottom line. Indian companies have advanced in incorporating CSR into their business plans and promoting sustainable development. However, more efforts are required to overcome the obstacles and to increase the influence of CSR programs in India.

Objectives of the study

- To study Corporate Social Responsibility initiatives by Indian Companies.
- To study the emerging trends in Corporate Social Responsibility activities in Indian Companies.
- To study the impact of Corporate Social Responsibility on organizational performance and sustainable development in India.

Research Methodology

In order to achieve the research objectives, the data / information is collected from various sources. For the purpose of the study secondary data has been used. The researcher has collected data / information required for the study from the different sources like books, journals, research articles internet sources and newspaper articles. It also includes review of literature from the various previous researches related to corporate social responsibility and sustainable development.

Significance of the study

The present study will help in having a better insight into CSR. The study can further help in understanding the impact of CSR activities on the profits of the company and can help researchers understand the changing face of CSR in the society.

Descriptive Analysis of the Study

Meaning and Definition of Corporate Social Responsibility

CSR and business ethic focuses primarily on capacity building, empowerment of communities, more inclusive socio-economic growth, environment sustainability, promotion of environmentally benign and energy efficient technologies, development of underdeveloped regions, and upliftment of the marginalised and under-privileged sections of society. Generally, CSR means that corporation and businesses in general while working on their main goal of maximizing their shareholders' profit should also keep in mind the societal concerns and needs and act responsibly towards the society in which they operate. World Business Council for Sustainable Development has defined CSR as “the commitment of business to contribute to sustainable economic development, working with employees, their families, and the local communities”. *Corporate Social Responsibility and Sustainable Development in India* 683 The term corporate social performance was first coined by Sethi (1975), expanded by Carroll (1979), and then furnished by Wartick and Cochran (1985). However, the credit to define CSR at the global level goes to Howard Bowen (1953) who highlighted the status and degree of responsibilities that business class should accept. Liberal thinker

Milton Friedman defined the concept CSR in terms of owner's objectives and stakeholder responsiveness which recognizes direct and indirect stakeholder interests (Urmila, 2012).

Need of CSR in India

CSR has become increasingly important because today's heightened interest in the proper role of business in society has been promoted by increased warmth to and awareness of environmental and ethical issues. Issues such as environmental damage, improper treatment of workers, and faulty production leading to customer inconvenience or danger are being highlighted during the last decade; elsewhere, investors and investment fund managers have begun to take account of a firm's CSR policy in making investment decisions; some consumers have become increasingly sensitive to the CSR programmes of the firms from which they buy their goods and services.

CSR in India

In India several companies have started realizing that it is a rational move to take up CSR activities and integrate it with their business process. Corporations are becoming increasingly aware of their role towards the society. They are responsible bodies that feel a sense of duty towards the common welfare and the environment. This comes with a growing realization that they, as an integral part of this society themselves, can contribute to its upliftment and empower of the entire country in turn. Thus Companies now are setting up specific departments and teams that develop policies, strategies and goals which are for their CSR programs and allocate separate budgets to support them. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the maximization of profit. Companies conduct events like health camps, population control measures, support a few sick persons, give some scholarships, organize a few SHGs, a few sports events, impart trainings for some livelihood practices without linking them to further growth in the process of conducting CSR. Some corporates found to work on disability, some on elderly issues, some work on street children. All these are either time bound projects or institution run activities or supports to some NGOs. They also meet the deficiencies of government run schemes or programs with an aim to enhance the quality of the programme. Short term activities are mostly eye washing efforts by corporates where sustainable development approaches are usually missed. Government authorities and people's representatives are mostly invited in such programs to grace the occasions and their visibility in the public are taken care in such a way that the corporates get continuous illegal and quick legal favors and ultimately the profit multiplies.

Development of the Concept of Corporate Social Responsibility

The concept of CSR first emerged in the 19th century in Great Britain (Asongu, 2007). However, it was in the United States (US) which experienced the growing interest in CSR in the 1960s and 1970s (Vogel, 2005). The scope of CSR was widened in the 1980s which integrated corporate objectives with the social responsibility of business thereby making it responsible to care for environment, employees and also make good profits. The globalisation of economy further highlighted the importance of corporate responsibilities in other developed countries of the world.

Current Trends and Status of Corporate Social Responsibility in India Recent studies and surveys have shown that India's CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, Coal India Ltd. (CIL) targeted to invest US\$ 67.5 million in 2010-11 on social and environmental causes. Similarly, NALCO has contributed US\$ 3.23 million for development work in Orissa' Koraput district as part of its CSR (Prabhakar and Mishra, 2013). India Inc has established a global platform to showcase the CSR performance of Indian business entities. In the same vein, Confederation of Indian Industry (CII) and the TVS Group collaborated to set-up the CII-TVS Centre of Excellence for Responsive Corporate Citizenship in 2007. It aims to provide consultancy services and technical assistance on social development and CSR (Prabhakar and Mishra, 2013). Given this, India has been named among the top ten Asian countries for its emphasis on CSR disclosure norms. The social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009, ranked the country fourth in the list. Similarly, in September 2010, 'Sustainability in Asia Reporting Uncovered' based on four parameters viz. General, Environment, Social and Governance has positioned India only second in country ranking in Asia and is ranked as first in general category (Urmila, 2012). However, private business entities have generated a mixed reaction from general public. There is no denying to the fact that some of the private enterprises has considerably contributed towards sustainable development and social welfare programmes such as, increasing green covers, introduction of more sophisticated technology to reduce greenhouse gases emission, increased contribution in health, education, development of rural infrastructure and enabling the youth to get employment and thus live a life of dignity and honour business firms like, Reliance Industries, Tata Motors and Tata Steel have achieved admiration for their corporate social responsibility initiatives. Similarly, global business giant IBM has collaborated with the Tribal Development Department of Gujarat to facilitate development of tribal in the Sasan area of Gir forest (Prabhakar and Mishra, 2013). However, the race to optimise profits has equally added to environmental degradation in many parts of the country. For instance, the Comptroller and Auditor General of India, in its latest report brought out some serious irregularities on the policy of compensatory afforestation which aims to handing over forest lands for development and industrial projects in exchange for forests being grown on alternative lands and collection of net present value of the diverted land from the industries. The CAG has noted that against the forestlands handed over to development projects, 1,03,381.91 hectares of non-forestlands were to be converted to forests. Out of this only 28,086 hectares were received and out of this compensatory afforestation was carried out over a mere 7,280.84 hectares – just 7 per cent of the land that ought to have been received. The report reveals that some of the leading corporate entities of the country were provided large financial and legal gains while distributing government forest lands in violation of Supreme Courts' order and forest laws (Sethi, 2013). It is therefore important strengthen law enforcement and monitoring mechanism to control such anomalies in environmental and social responsibility of the corporate.

Strategy to Ensure More Effective Corporate Participation

According to Herrmann (2010) an effective CSR regime needs to focus of four important issues: setting standards; monitoring compliance with standards and exposing abuses; creating binding legal obligations; and enforcing those binding laws. However, in an era of ever increasing appetite for more and more luxurious life style it is becoming a daunting task to follow Herrmann's notion of effective CSR performance. Corporate operating in a market based economy believes in the quality and price of a product in order to attract maximum numbers of consumers. The national governments in both developed and developing

countries are under tremendous pressure from corporate giants to minimize restrictions on their economic pursuits. In fact, powerful global business entities influence government policy making in a great extent. The current debate on climate change issue between developed and developing countries and the west's reluctance to enter into a legally binding greenhouse gases mitigation agreement shows the absence of CSR and business ethic remains a low key issue for the global corporate. So, stringent enforcement of CSR laws and legislation has a very limited possibility to bring desired results. There is a need to sensitize corporate and business classes toward evolving a culture of sustainable development and empathy towards nature and environmental vulnerable section of the society. The ideological apparatus remains a positive and constructive strategy to ensure greater compliance from corporate towards achieving *Corporate Social Responsibility and Sustainable Development in India* 687 the goal of sustainable development and a more humanistic version of economic development. Non-governmental organization, civil society and media have to play a pivotal role in this regard.

Gandhian ethical model could serve as a remedy to harmonize the conflict between economic development, environmental security and social welfare. It is worthwhile to quote what Mahatma Gandhi said in Harijan in 1942, "the rich should ponder well as to what is their duty today, But understand that your wealth is not yours; it belongs to the people. Take what you require for your legitimate needs, and use the remainder for society".

In fact, the entire structure of society is interconnected and interdependent. Corporate needs people, raw material and a peaceful and enabled environment to sell procured goods which are available only in a society. Recent surveys have also shown that consumers have preferred to buy the products of those business entities which are more sensitive towards CSR. It is therefore for the best of corporate interest to harmonize personal interest with larger public interest for the greater welfare of society as well as corporate.

CSR should not be viewed as a drain on resources, because carefully implemented CSR policies can help your organization:

- Win new business
- Increase customer retention
- Develop and enhance relationships with customers, suppliers and networks
- Attract, retain and maintain a happy workforce.
- Save money on energy and operating costs and manage risk
- Differentiate yourself from your competitors
- Generate innovation and learning and enhance your influence
- Improve business reputation and standing
- Provide access to investment and funding opportunities
- Generate positive publicity and media opportunities due to media interest in ethical business activities.

CSR activities of some Indian companies

- ONGC and Indian Oil Corporation has been spending 0.75-1 % of their net profits on CSR activities. ONGC's CSR projects focus on higher education, grant of scholarship and aid to deserving young pupils of less privileged sections of society, facilities for constructing schools etc.
- SAIL has taken successful actions in environment conservation, health and medical care, education, women upliftment providing drinking water
- BHEL & Indian Airlines have been acclaimed for disaster management efforts. BHEL has also adopted 56 villages having nearly 80,000 inhabitants
- Reliance Industries initiated a project named as "Project- Drishti" to bring back the eyesight of visually challenged Indians from the economically weaker sections of the society. This project has brightened up the lives of over 5000 people so far.
- Mahindra & Mahindra launched a unique kind of ESOPs- Employee Social Option in order to enable Mahindra employees to involve themselves in socially responsible activities of their choice.
- GlaxoSmithKline Pharmaceuticals' CSR programs primarily focus on health and healthy living. They work in tribal villages where they provide medical check-up and treatment, health camps and health awareness programs. They also provide money, medicines and equipment to non-profit organizations that work towards improving health and education in under-served communities.
- Bajaj Electricals Ltd corporate social responsibility activities include Education, Rural Development & Environment.
- Tata consultancy services is India's largest software service company and has won the Asian CSR award for initiating community development work and implementing various programs and devoting leadership and sincerity as ongoing commitment in incorporating ethical values. Major focus of the company is on education sector. Company is working upon literacy program that cares TCS designed computer based literacy model to teach adults and this program is known as an adult literacy program.
- Infosys: As a leading software company Infosys is into the providing language and computer education. Company has special program for unprivileged children by whom company teaches them various skills and change their outlook too. Company also donates carom, chess board, chocolates etc. to the needy ones.
- Wipro Cares: Focus area of Wipro cares is on taking educational and health care initiatives for migrated communities and environmental issues and disaster rehabilitation.
- ITC: ITC Limited (ITC) is among one of India's leading private sector companies having an assorted portfolio of businesses. ITC is working with the concept of 'Triple bottom line' that will contribute to the growth of economy, environment and social development. Major focus area of the company is on raising agricultural productivity and helping the rural economy to be more socially inclusive.
- Maruti Suzuki an automobile industry works upon global warming and global issues like climate change Company has been strongly investing on environmental friendly products and manufacturing best products for the society.

Maruti Suzuki is working upon conserving environment and preserving natural environment. Concept of reduce, reuse and recycle has been promoted by company in all the manufacturing units.

Findings of the Study

An insight into the history of CSR reveals that till 1990s it was exclusively dominated by the idea of philanthropy. Considering CSR as an act of philanthropy, businesses often constrained themselves to one time financial grant and did not commit their resources for such projects. Moreover, businesses never kept the stakeholder in mind while planning for such initiatives, thereby reducing the worth and efficiency of CSR initiatives. However, over the last few years, the concept of CSR has been changing. There has been a clear transition from giving as an obligation or charity to giving as a strategy or responsibility. Review of the case studies and work done on CSR by companies in India suggests that the CSR is slowly moving away from charity and dependence and starting to build on empowerment and partnership.

Nowadays corporates are treating CSR as a separate entity and dedicate attention to it. Most of the corporates have a vision and mission statements often at the corporate level or sometimes at the CSR level that compel their CSR initiative. Discussions are made to choose specific issues and initiatives. It has been observed that the areas they choose somewhere relate to their core values. Companies today are increasingly sensitive about their social role. The companies not only concentrate on how they will position their product or how they will sell it but also they have a social strategy because they have started feeling that brands are built not only around good quality of the product; but also around emotions and values that people ascribe to those products.

Suggestions and Conclusions

Business houses in India are increasing in realizing their stake in the society and engaging in various social and environmental activities. CSR holds a very important place in the development scenario of India today and can create as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. This study provides insights into an area of growing concern of firms towards society. Firms have been doing great effort for the achievement of business goals and marring the business goals with social responsibility practices. CSR has come a long way in India. From responsive activities to sustainable initiatives, corporates have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is huge. Corporates have the expertise, strategic thinking, manpower and money to facilitate wide social change. Effective partnerships between corporates, NGOs and the government will place India's social development towards tremendous growth. As per the changing market demands need of the hour is for the development of CSR framework that has been imposed by the government. So that, we can contribute to make better planet to live in.

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