

**SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL  
RESPONSIBILITY POLICY IN INDIA**

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**Abstract**

*Sustainable development is the development that meets the need of the present without compromising the ability of future generations to meet their own needs. The concept of sustainable development refers to the development which is in harmony with environmental considerations. Trade and commerce is a part of society. Rather, it is dependent on society for its growth and development. It utilizes the available societal resources like power, water, land, roads etc. Therefore enterprises have a moral and social responsibility to protect the interest of society. Corporations must take into account the impact of their decisions on different components of environment .i.e. soil, water and air. Today, pollution of natural resources is of great concern to all members of society. It is the responsibility of every enterprise not to follow such practices that may lead to degradation of environment and loss to flora and fauna of the country, even enterprises have to spend a part of their profit to maintain the environment sustainability.*

**Introduction**

In the present era, globalization has influenced trade all over the world; companies have looked for new opportunities in doing business outside their home country. In recent years Corporate Social Responsibility (CSR) has gained growing recognition as a new and emerging form of governance in business. It is already established in a global context, with international reference standards set by the United Nations, Organization for Economic Co-operation and Development (OECD) guidelines and International Labour Organization (ILO) conventions. With brand value and reputation increasingly being seen as one of a company's most valuable assets, CSR is now seen as building loyalty and trust amongst shareholders, employees and customers. CSR applies to a wide variety of company activities, especially in enterprises that operate multi-nationally in very different social and environmental settings. Corporate Social Responsibility is closely linked with the principle of sustainable development, which argues that enterprises should make decisions based not only on financial factors such as profits or dividends but also based on immediate and long term

social and environmental consequences of its activities. CSR has a significant role in controlling the perils of uncontrolled development, satisfying the needs of the present generation and at the same time ensuring that the resources of future generations is not jeopardized.

In India the concept of Corporate Social Responsibility (CSR) is an old concept as it occupied a prominent place even before India got its independence. In India the CREP (The Corporate Responsibility for Environmental Protection) was formed in 2003. A guideline for a set of non-mandatory norms for 17 polluting industrial sectors has been set but there is no real pressure for implementation or internalization. An ethical being which claims to respect the earth cannot have discontinuities in its practices. Ethical practices have to place in an integrity framework, and that implies at the very least a lack of multiple ways of being. Section 135 of Companies Act, 2013 gives teeth to the Corporate Social Responsibility in India which makes it mandatory on every company having specified net worth or turnover or net profit during any financial year shall constitute the Corporate Social Responsibility Committee of the Board. The composition of the Committee shall be included in the Board's Report. The Committee shall formulate policy including the activities specified in schedule VII. The Board shall disclose the content of policy in its report and place on website, if any of the company. The section further provides that the Board shall endeavour to ensure that at least two percent of average net profits of the company made during three immediately preceding financial years shall be spent on such policy every year. If the company fails to spend such amount the Board shall give in its report the reasons for not spending.

### **Meaning Of Corporate Social Responsibility**

The term 'social responsibility' means different things to different people; no single approach or definition of social responsibility is accepted by academicians and the practising managers' all over the world. The concept of social responsibility, as given by Howard R. Bowen, suggests that 'Businesses should consider the social implications of their decisions.' According to Keith Davis, Corporate Social Responsibility (CSR), refers to the businessman's decisions and actions taken for reasons, at least partially, beyond the firms direct economic or technical interest.

An operational perspective of CSR is that the management is responsible to its organisation as well as to all the interest groups with which it interacts. It should respect the natural rights of individuals and has an obligation to honour the contracts with its managers, employees, customers, suppliers and others. At the same time, it should not engage in deception, fraud, force, threats, theft, or coercion against others and honour the representations made to the local community. In this way, it is clear that, CSR need to address the well being of all stakeholders and not just company's shareholders.

### **Concept of Sustainable Development**

The concept of sustainable development is perhaps the most important principle which has emerged from international activity on the environment. Sustainable development means different things to different people. Although this principle is perhaps the most important principle of environmental law, the concept is difficult to define in a few words.

To live "sustainably" means finding ways of development which will improve everyone's quality of life without damaging the environment and without creating problems for future generations, or transferring such problems to people in other parts of the world. Thus, essentially, the concept of sustainable development has *two* aspects: economic development and the use of natural resources of the world in a manner that is sustainable.

In 1971, the *World Conservation Union* defined "sustainability" as "a characteristic or state that can be maintained indefinitely" and "development" as "the increasing capacity to meet human needs and improve the quality of human life". In other words, there must be a proper balance between "development" on the one hand and "environment" on the other, so that both can co-exist without one adversely affecting the other.

The expression "sustainable development" was first used in 1972 at the *Cocoyoc Declaration on Environment* and has thence been used profusely-sometimes meaningfully and sometimes otherwise- whenever environmental issues are talked about or discussed. The concept received a universal backing at the *Stockholm Conference, 1972*, and thereafter has been the most important theme of all conferences and declarations on environment. Essentially, sustainable development is a multi-dimensional concept with *three* inter-acting

angles: *ecology, economics and ethics.*

The global commitment to sustainable development was reiterated at the *World Summit on Sustainable Development* held at Johannesburg in 2002, where it was decided to assume a collective responsibility to strengthen the *three* interdependent pillars of sustainable development: economic development, social development and environmental protection.

The underlying idea of this concept is that natural resources like the sea-bed are not the fruits of the labour put in present generation, and that therefore, they should be used and exploited, always keeping in mind the needs of future generations. Several natural resources in this world are non-renewable, as for instance, fossil fuels and minerals. Once a particular quantity of such resources is used, the total quantity stands reduced forever. However, this does not mean that such resources should not be used at all. All that sustainable development requires is that we use these resources with extreme caution, respecting the “rights” of future generations. “Protection of the environment” and “development” are thus two sides of the same coin and one is inseparable from the other. Over emphasis on either will leave mother earth in a state of imbalance.

### **Indian Policy on Corporate Social Responsibility and Sustainable Development**

The Companies Act, 2013 has introduced several provisions which would change the way corporate do business and one such provision is introducing the concept of Corporate Social Responsibility under section 135 of Companies Act, 2013. Section 135 is applicable to companies 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 during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. The Board shall ensure that the company spends in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years in fulfillment of company’s CSR policy.

It is mandatory on the Corporate Social Responsibility Committee to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII. CSR Committee shall prepare a detailed plan on CSR activities, including expenditure, types of activities to be

undertaken, role and responsibilities of various stakeholders and monitoring mechanism for such activities.

It is also required under the newly introduced section that the Board shall after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any.

### **Activities to be undertaken by the companies for Corporate Social Responsibility Policy in India**

Schedule VII explains the list of activities to be included by the companies in their Corporate Social Responsibility Policies. Activities relating to:

- eradicating extreme hunger and poverty;
- promotion of education;
- promoting gender equality and empowering women;
- reducing child mortality and improving maternal health;
- combating human immuno deficiency virus, acquired immune deficiency syndrome, malaria and other diseases;
- contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
- Such other matters as may be prescribed.

### **Role Played by CSR in attaining Sustainable development**

In this era of globalization CSR plays a vital role in attaining Sustainable development. Under Schedule VII one of the activities to be undertaken by the companies in their CSR Policy is ensuring environmental sustainability. The company has a social and moral responsibility towards protecting the environment. Many companies are focusing on environmental issues for their CSR activities. Sony, Panasonic and Orchard hotels are focusing on issues related to environment such as toxic gases, waste production and water contamination etc.

## Conclusion

The concept of Corporate Social Responsibility covers different perceptions and sensitivity as it is not as simple as it sounds. Corporate social responsibility is the continuing commitment by business 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.

Corporate Social Responsibility is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations.

Corporate Social Responsibility is a way of conducting business, by which corporate entities visibly contribute to the social good. Socially responsible companies do not limit themselves to using resources to engage in activities that increase only their profits. They use CSR to integrate economic, environmental and social objectives with the company's operations and growth.

Sustainable development is meeting the needs of the present without compromising the ability of future generations to meet their own needs. Corporate sustainability is derived from the concept of sustainable development itself. It refers to the role of role that company can play in meeting the agenda of sustainable development and entails a balanced approach to economic progress, social progress and environmental stewardship.

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