



# Corporate Social Responsibility for Sustainable Development

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## Abstract

‘Sustainability Development’ has become the most important area of concern for the world. UN Millennium Development Goals and Vision 2050 etc. are mainly showing the concern for a safe future of human life. The only focus on ‘maximisation of economic goals’ will certainly lead to a fall in terms of social and environmental values. ‘Corporate Social Responsibility’ (CSR) is an essential tool that enforces a company to pay attention towards all the elements of the environment. By paying serious attention towards CSR the corporates can contribute in achieving the objectives of sustainability to a great extent. Followed by the challenges of sustainability, the paper highlights the importance of CSR for sustainable development.

**Keywords:** Sustainability, Corporate social responsibility

## Introduction

Globalisation resulted to ease in amalgamation of social, economical, financial, political and business qualities of one nation with another. The era of globalisation is surely stronger in terms of advancements in the Science and Technology. But, it is not unaffected by the adverse effects of technological up-gradation that encouraged to i) unemployment followed by poverty and ii) pollution that is continuously damaging the planet. The explosion

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that was earlier in population is now broadening with climate change and degradation of ecosystem. The other areas of concentration are hunger, illiteracy, lack of proper healthcare facilities and sanitation, etc. that are the primary hurdles in the way of bottom-up economy. In India, more than 30% the population in the states like Bihar, Jharkhand, Andhra Pradesh, Rajasthan, Jammu & Kashmir, Uttar Pradesh are illiterate (Source: Economic Survey, 2011-12; Office of the Registrar General: 2011, India; M/Home Affairs). Another study reveals that more than 350 million people of India are still in below poverty line (Source: Databook for DCH; 10 April 2012). With reference to the data of National Crime Bureau, more than 2,50,000 farmers have committed suicide in India between 1995 and 2010 with a major reason of the debt. There is a significant decline in the share of agriculture (GDP%) i.e. from 56.5% in 1950-51 to 15.7% in the period of 2009-10 (Source: CSO and Economic Survey 2009-10). According to a study released during the year 2011-12 World Economic Forum in Davos, India has the worst air pollution in the entire world. Of 132 countries whose environments were surveyed, India ranks dead last in the 'Air (effects on human health)' ranking. And on overall environment, India ranked among the world's "Worst Performers," at No. 125 out of the 132 nations. *The existing state of disparities in human life and in environment across the globe is reflecting a dark shade of future.*

India, a country of twenty-eight states and seven union territories has crossed the population of 1.27 billion (estimated) in 2013. Satisfying basic needs of growing population along with healthcare facilities, education, financial stability, employment opportunities etc. is in the hands of Government. The initiatives of Government alone, towards 'quality human life' seem to be ineffective and therefore support from corporates is needed. *Through this paper an attempt is made to highlight the role of companies in improving the quality of the life of the people.*

## **Review of Literature**

Harris J. M. (2000) mentioned that true sustainability means a major shift from existing techniques and organization of production in each major area – agriculture, energy, industry, and renewable resource systems. The paper mentions that the social component of sustainability is not just an idealized goal, but a necessity for achieving the economic and ecological components. Existing institutions of all kinds, including corporations, local and national government, and transnational organizations, will have to adapt to the requirements of sustainable development if all the problems which motivated the development of concept are not to grow worse. KPMG & ASSOCHAM (2008) highlighted the thematic areas of CSR. It is said that action in CSR in India largely spans a diverse set of thematic areas – health, education, livelihood, poverty alleviation, environment, water, housing, energy and microfinance. Some other areas like women empowerment, child development and infrastructure also appeared in the case studies mentioned in the paper. In another study, KPMG (2011) reveals that 64% of the Top 100 Companies and 95% of Global 250 Companies are reporting the corporate sustainability report. Lys, Naughton, & Wang (2013) conclude that current-period CSR expenditures do not lead to improvements in firms' future performance, but rather that the anticipation of future financial performance leads firms to undertake CSR expenditures in the current period.

### **Objectives:**

The objectives of the paper are:

- i. To understand the concept of Sustainability,
- ii. To study the legal provisions related to CSR in Companies Act 2013,
- iii. To study the CSR initiatives of Tata Steel, Jamshedpur,
- iv. To observe the role of CSR in sustainability development.

## Research Methodology

The study is exploratory in nature. Primary and Secondary data both have been used in this study. To study the impact of CSR initiatives of Tata Steel, primary data has been collected from different beneficiaries. The beneficiaries are the employees of Tata Steel, the local citizens of Jamshedpur and the rural people from the villages near to Jamshedpur. Area-wise simple random sampling was done for each class of beneficiaries. The sample size for the urban area, rural area, and the employees are 751, 135, and 765 respectively. Three different sets of questionnaire were developed for each class of the beneficiaries. The respondents were asked to record their opinion on a 5 point Likert-type scale (where 1=Strongly Disagreed, 2=Disagreed, 3=Neutral 4= Agreed, 5= Strongly Agreed). The data is collected through personal interview and in few cases through e-mails. Weighted Mean and Combined Mean are used to analyse the data.

## Discussion and Analysis

### **The Concept of Sustainability and Corporate Social Responsibility:**

The increase in pollution level across the world is the main concern for the survival. The achievement of economic goals would be ineffective if there is no existence of human life. And the idea of care for human life and care for natural environment developed the concept 'Sustainability.' The word sustainability is derived from the Latin word '*sustinere*'. Here '*tenere*' means 'to hold' and '*sus*' means 'up'. Blowfield & Murray (2011) explains 'Sustainability' as the ability of a company to continue by making a zero impact on environment resources. That way, future generations will also benefit from the goods and services provided and from the employment offered. World Commission on Environment and Development (WCED, 1987) defined sustainability development as 'development that meets the needs of the present without compromising the ability of future generation to meet their own needs'.

As per the records of the Ministry of Corporate Affairs, in India there were a total of 13.45 lakh companies in the official registry as on 31st August 2013.<sup>1</sup> *Being a major player in the market, the companies are equally responsible for the existing state of disparities and it becomes their duty to look after the sustainability development of the society.* The success of a business depended on the availability of five M's (Man, Material, Machine, Money and Method). If the 'Method' of operation (as well as 'Method' of distribution of profit) deviates from the standard, it would definitely affect the rest four M's and in result there will be a pause in the regular operations. It is, therefore, obligatory for the companies to care for the society while using its resources.

The obligations of the company towards society are termed as *Corporate Social Responsibility (CSR)*. In other words, CSR is the social and the ethical concern of the corporates towards the society as a whole. CSR has revived the objectives of the business towards overall development of the society rather than profit maximisation. The society, here, consist of all the stakeholders including the nature.

### **Significant steps towards Sustainability**

Millennium Development Goals (MDGs) and Vision 2050 are the relevant standards that provides the targets to be achieved for sustainability development. Agenda 21, Beijing Declaration, CERES principles, Global Reporting Initiatives, OECD guidelines for multinational companies, Principles for Responsible business (PRI), SA 8000, Wolfsberg Anti-Money Laundering Principles – are few selection of standards, guidelines and declarations that set out some of the rights that companies are being asked to uphold to reflect the values such as honesty, fairness, and integrity. ISO 26000, Tripple Bottom Line (TBL) and Tripple Loop Learning (TLL) are the three mechanisms of incorporating CSR by company.

### **The legal provisions related to CSR under Companies Act (2013) – A way towards sustainability**

Corporate Social Responsibility (CSR) has for the first time been recognized in the Company Law. Clause 135 (under Chapter IX – Accounts of Companies) of the Companies Act 2013 deals with Corporate Social Responsibility. Clause 135 contains 5 sub-clauses

with one Explanation. Schedule VII of the Companies Bill 2013 lists out the CSR activities. *This is the first time where a legal provision is introduced for Corporate Social Responsibility.*

As per the act, a company having Net worth of rupees 500 crore or more or Turnover of rupees 1000 crore or more or Net profit of rupees 5 crore or more during any financial year, will constitute a CSR Committee of the board members consisting of three or more directors . At least one committee member shall be an independent director.

The CSR Committee will be responsible - 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, to recommend the amount of expenditure to be incurred on the activities, and to Monitor the Corporate Social Responsibility Policy of the company from time to time.

The role of board of directors will be to review the recommendations made by the CSR Committee, to approve the CSR Policy for the company, to disclose contents of the Policy in the company's report/website, and to ensure that the company spends in every financial year, at least two percent of the average net profits.

According to Schedule VII, Activities - as a Project Mode, which may be included by companies in their Corporate Social Responsibility Policies, are: i) Eradicating hunger and poverty, ii) Promotion of education, iii) Promoting gender equality and empowering women, iv) Health - reducing child mortality, improving maternal health, combating HIV, AIDS, malaria, v) Employment enhancing vocational skills, vi) Contribution to PM's 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, vii) Ensuring environmental sustainability, viii) Social business projects, ix) Such other matters as may be prescribed.

The company needs to disclose the boards financial report under sub-section (3) of section 134, shall disclose the composition of CSR

committee, CSR policy and initiatives, amount of expenditure incurred on Corporate Social Responsibility activities, and valid reasons in case of failure to spend the earmarked CSR budget.

**CSR Initiatives of Tata Steel Ltd., Jamshedpur**

Tata Steel Limited, an iron and steel company is situated in Jamshedpur, India. CSR is one of the core activities of Tata Steel. The Group’s stated aim is ‘to improve the quality of life of the communities we serve’. With reference to the sustainability reports published by the company, its CSR initiatives are towards community, workplace, environment as well as marketplace too. In the present study, an effort is made to measure the impact of CSR initiatives by receiving the feedback from the beneficiaries. The outcomes are discussed as below:

Table 1. Appropriateness of social benefits in Urban Area

Sl. No.	Heads	Mean Score	Average of Mean Score
1.	Appropriateness of JUSCO Water & Electricity	4.67	4.20
2.	Maintenance of the City (in terms of Cleanliness, Traffic System, Greenery, Roads, Education, Medical facilities)	3.55	
3.	Value of the City ( in terms of parks, clubs, stadiums etc., encouragement to players, modernization of the city)	4.39	

Table 1 presents the average of mean scores as 4.20 which is closer to the Likert Scale 4 i.e. agreed level. It could be interpreted that the respondents are agreed to the statements that Tata Steel provide appropriate benefits in the urban area.

Table 2. Appropriateness of social benefits in Rural Area

Sl. No.	Heads	Mean Score	Average of Mean Score
1	Awareness Programme in Rural Area (on cleanliness, improving literacy rate, population control, safe drinking water, toilets etc.)	4.67	3.45
2.	Training Programme for villager's development (on Agriculture, Drainage system, self development, self employment, women empowerment, water harvesting system etc.)	3.03	
3.	Medical benefits in Rural Area	2.49	
4.	Infrastructural Development (in terms of roads, installation of hand-pumps / tube-wells, solar lights, implantation of trees etc.)	3.61	

Table 2 presents the average of mean scores as 3.45 which is above the neutral level i.e. 3 of Likert Scale. But, it is below to the agreed level i.e. 4 at Likert Scale. It could be interpreted that the respondents have mixed approach on appropriateness of social benefits in Rural Area. They strongly agreed to the appropriateness in the effort of Tata Steel towards awareness program (4.67 i.e. closer to Likert Scale 5) and also agreed to efforts on infrastructural development (3.67 i.e. closer to Likert Scale 4). The respondents have disagreed to the statements on medical benefits as the mean score is 2.49 which is closer to 2 i.e. disagreed level at Likert scale.

Table 3 presents the average of mean scores 3.29 which is closer to 3 i.e. neutral level at Likert Scale. The responses indicate that the employees are satisfied with the work, safety level at workplace and there is an eagerness among the employees to work more. This is a very positive sign for the company.



Table 3. Appropriateness of social benefits to employees

Sl. No.	Heads	Mean Score	Average of Mean Score
1	Work Satisfaction Level	3.54	3.29
2.	Education Vs. Work Allotment	3.14	
3.	Job Training Level	3.06	
4.	Safety Level at workplace	3.85	
5.	Satisfactory working hours and leave	3.10	
6.	Employee's eagerness to work more	3.78	
7.	Company's Retention Policy (for employees) and its future	2.98	
8.	Grievance Handling Level	3.20	
9.	Satisfaction level for the benefits given by the company (in terms of medical, transportation, quarter and education (for children) facilities etc.)	2.94	

### Findings

- i) With the study of the legal provisions of CSR under Companies Act 2013, it is found that:
  - a) There is a thematic relation between the areas of CSR initiatives and indicators of Sustainability development, MDGs or Vision 2050.
  - b) CSR initiatives have become mandatory for the companies having Net worth of rupees 500 crore or more or Turnover of rupees 1000 crore or more or Net profit of rupees 5 crore or more during any financial year.
- ii) With the study of the CSR initiative of Tata Steel from the beneficiaries view point, it is found that:
  - a) The company is paying attention towards CSR.
  - b) The beneficiaries are, to some extent, agreed to the appropriateness of social benefits provided by the company.
  - c) The company is attentive on maintenance and value of the city.
  - d) The company is attentive on the development of the rural people.

- e) It is also found that the company's initiative towards medical benefits in rural areas is not satisfactory.
- f) It is found that the work environment in the Tata Steel is safe and the workers are satisfied with their work.
- g) Based on the verbal remarks given by the respondents during personal interviews, it is found that the company pay its attention only on few adopted villages whereas many villages are seeking for the help. The same kind of feedback was received from urban area respondents. As per them, the attention of company is proportionately equal in all the areas of Jamshedpur.

### **Suggestions**

- i) The CSR provision under new companies act 2013 has given relaxation to many companies those are having Net worth below rupees 500 crore or Turnover below rupees 1000 crore or Net profit below rupees 5 crore. For greater and effective impact, the government should sketch such a draft so that all the corporates start paying attention on CSR. For this the amount of spending on CSR could be linked with the earnings of the companies.
- ii) There is no relaxation in taxation related to CSR initiatives taken by a company. The Government can introduce such a provision that would motivate the companies for CSR initiatives.
- iii) Tata Steel should pay more attention on training programmes that is running in rural areas. It should also improve the medical benefits in rural areas.
- iv) The feedback from the respondents shows that the employee-retention policy at Tata Steel requires a review.
- v) Tata Steel should try to improve the benefits for its employees (in terms of medical, transportation, quarter and education (for children) facilities etc.).
- vi) The companies, those have not started CSR initiatives till now, should seriously think on this issue as CSR is one of the tools of sustainability development.

- vii) The State government should also pay attention towards the development of the people in the areas where the CSR Services of Tata Steel is unreachable.

### **Limitations of the study**

The study of CSR initiatives of Tata Steel is purely based on the responses received from the beneficiaries. Therefore, the interpretations cannot be generalised beyond the context of this study.

### **Conclusion**

Sustainability is the ability to sustain or to continue. The sustainable human life is based on safe environment free from all the evils of poverty, hunger, illiteracy, corruption, pollution, etc. It is the primary duty of the government to provide a safe environment to its residents. But, the corporates are equally responsible. The adequate employment opportunities provided by the companies help in eradicating poverty and hunger. The ethical concern for the society in terms of CSR initiatives by companies, if taken properly, not only improve quality of human life but also safeguard the nature by adopting recommended measures of production process. Tata Steel, here, sets an example of appropriate CSR Initiatives that leads in improving the life of its employees as well as the citizens in and around Jamshedpur. The thematic similarities between the CSR initiatives and the targets of MDGs and Vision 2050 indicate the importance of CSR in sustainable development. Therefore, it could be concluded that CSR is one of the essentials for sustainability development.

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