

CORPORATE SOCIAL RESPONSIBILITY IS A MYTH

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ABSTRACT

Corporate Social Responsibility (CSR), the principle of shifting the business into a sustainable and ethical practice. The concept of “Entrepreneurs driven the society” where the corporate has ethical, moral and philanthropic responsibility, this phenomenon takes down the responsibility of the society by providing and funding social services encompassing areas such as medical facilities school and other community amenities within well planned economics for a long-term sustained achievement. "Acta exteriora indicant interiora secreta" ("External actions reveal the inner secrets"), CSR represents an evolving obligation that were meant for the business official to engage in and contribute to economic development while simultaneously enhancing the living conditions of the families as well as the environment. According to the section 135 of the Companies act 2013 it mandates qualified corporations to spend 2% to their average net profits on CSR activities, the success of the corporate organisation is on the hand of the local environment as they operate, since then the impact of this initiatives remains questionable. Though the legislation ability is to promote corporate accountability and develop suitability which is often hindered by inadequate enforcement and weak regulatory supervision. **The Vedant Resource Limited Vs¹**. Union of India¹ highlights the limitation of CSR where it can be a mere myth if corporates fail to meet their social and environmental responsibility. The hon'ble supreme court of India observed CSR is not a charitable activity but a legal and moral obligations that integral to the core operation of business. These activities turned out to be violation of Forest Rights Act 2006 and the Environmental Protection act 1986. This article is based on a doctrine and empirical method that aim to analyse the concept of (Corporate Social Responsibility) CSR as a myth, focusing on the disparities between corporate claims and actual practice and highlights the necessity of strengthen legal frame work and effective regulatory enforcement.

Keywords: Corporate Social Responsibility, Sustainability, Enforcement, Regulation, Ethics.

INTRODUCTION

a) Is CSR a Myth?

Creating a strong business and building a better world are not conflicting goals- they are both essential ingredients for long-term success².

¹ Vedanta Resources Limited v. Union of India, (2020) 10 SCC 1

² Ford, B. (n.d.). On sustainability and corporate responsibility. Ford Motor Company Statements.

Corporate Social Responsibility (CSR) is a significant concept emerged in the year 1960's, defined as a philanthropic activity³ done to integrate and support business to adopt sustainable practices that encompasses legal, ethical and moral responsibility which is often referred to terms such as corporate conscience, corporate citizenship, social performances, Sustainable responsible business. India become the first country to implement CSR policy making it the foremost country to mandate CRS spending in the year 2014 to 2015. The concept was emerged to ensure the interest of the business that it should not solely focus in profit maximizing but also consider their boarder impact on society and environment at large, it represents a company's commitment to balance economic growth with social wellbeing by safeguarding the environment.

In recent date while CSR aims to integrate its ethical consideration into operating businesses, despite of its noble objective it has faced criticism for occasionally being used as a partial marketing tool rather than a genuine commitment to ethical practices. Section 135 of the Company Act 2013, provides a comprehensive legal frame work for CSR, it mandates that companies meeting certain financial values must be qualified to spend 2% to their average net profits from the preceding three years on CSR activities. The key provision of section 135(1) includes its applicability to companies with a net worth of 500 crore or more, turnover of 1000 crore or more and net profit of 5 crore or more during any financial year⁴.

Eligible companies are required to form a Board, consisting of three or more directors, with at least one independent director, the committee is responsible for formulating and recommending CSR policy to the Board, including the activities to be undertaking, to make a statutory disclosure of CSR in its Annual Report of Board, read with rule 9 of the Companies Act 2014, which provides the format in which such disclosure is made. The company's CSR policy should also outline its plan for addressing the issue listed in Schedule VII of the Act, such as eradicate poverty, improve in education, improve gender inequality, safeguarding environmental sustainability, protection of national heritage and etc⁵.

b) Are companies genuinely committed to CSR, or is it primarily a marketing strategy?

A well know maxim by Milton fried Man 'the business of business is businesses'⁶ has been a principle for those who argues that the primary responsibility of private corporation is to maximize its profit of their ownership or stakeholders.

To define CSR into different perspective two primary school of thoughts have emerged in this field, offering both broad and narrow interpretation of CSR, the first perspective is that the corporate bodies have general responsibility to address social issues, and the second asserts that corporations must take responsibility for their direct impact of their activities on the

³ Davis, K. (1960). Can Business Afford to Ignore Social Responsibilities? California Management Review, 2(3), 70-76.

⁴ Government of India, Ministry of Law and Justice. (2013). The Companies Act, 2013 (No. 18 of 2013)

⁵ Government of India, Ministry of Corporate Affairs. (2014). Companies (Corporate Social Responsibility Policy) Rules, 2014, Rule 9

⁶ Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. The New York Times Magazine, September 13, 1970.

society⁷. Despite their differences these viewpoints can support one another in advancing moral and environmentally friendly corporate practice. Through effective guidelines and standards, both types of CSR have been developed by governmental, non- governmental organisations and corporates.

As CSR continues to evolve with the time it become a core stone of modern business practice, that it is imperative for business to adopt sustainable and measurable initiatives that reflects a genuine commitment to sustainable and responsible practices. Critics argue that some companies use CSR as a marketing tool to enhance their corporate image rather than making genuine efforts to address social and environmental issues. There is often seen lack of measurable outcomes from CSR initiatives which makes it difficult to assess their true impact on society and environmental.

In some cases, CSR activities are not fully integrated into the business strategy and leading to isolated efforts that do not contribute to long-term sustainability. While the introduction of CSR in India was a pivotal step towards corporate accountability, its practical implementation has often seen to be lack behind its ideals. The lacuna between policy and practices has led many to realise and understand the view of CSR in India as more of a myth than a reality, which results into necessity to a re-evolution of strategical goals to ensure that corporate efforts genuinely contribute to sustainability and inclusive development. This can be interpreted in the case of Coca-Cola in Plachimada, Kerala⁸, the Kerala High court ordered the company to pay the compensations, but the long-term impacts on the community remain a stark reminder of the disconnected between CSR promises and Practices.

Early Philanthropy Concepts to Its modern Business strategy

Historically, India has become one of the world's richest traditions of CSR back to the Mayura's era (4th century BCE to 2nd century BCE), where philosophers like Kautily, in his work 'Arthashastra', emphasized on ethical business practices and principles, where Kautilya advocated for the responsible governance and welfare policies, suggesting that business should be their societal impact beyond mere profit⁹. This tradition reflects the ancient practices of charity to the poor and disadvantaged group, with Indian sculptures repeatedly underscoring the importance of sharing's one's earning with less fortunate. The culture of 'give and take' highlights the rich history of familiar CSR long before the term was coined.

Whereas religion has also played a major role in influencing the concept of CSR in India. In Islamic the law of 'Zakat'¹⁰ mandates that a portion of ones earning should be donated to the poor. And in case of Hindu merchants traditionally gave almas to build temples and night shelters, known as the Dharmashastra¹¹ these religious practices have intertwined with the

⁷ Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of a Definitional Construct. *Business & Society*, 38(3), 268-295.

⁸ Perumatty Grama Panchayat v. State of Kerala, 2003 (2) KLT 210

⁹ Singh, A. (2011). Corporate Social Responsibility in India: A Historical Perspective. *Journal of Global Responsibility*, 2(1), 62-78.

¹⁰ Ali, A. J. (2006). Islamic Corporate Social Responsibility: An Overview. *Journal of Business Ethics*, 68(3), 245-252.

¹¹ Sharma, R. (2007). Corporate Social Responsibility: A Hindu Perspective. *Journal of Business Ethics*, 75(1), 1-2

India's historical development, embedding the principles of CSR into the culture and social scenario in India.

Late 1800 to 2024 era:

CSR is a global phenomenon that has evolved over the time, reflecting the changes in society and business practices. The term was coined in the year 1953 by American economist Howard Bowen in his book 'Social Responsibility of the Business man'¹² in this book he acknowledges the significant power held by the corporations and highlights that their action has a tangible reaction impact on the society. He argued that business should not focus in profit making but also to consider their broad responsibility towards the community and environment, laying the foundation of modern understanding of CSR.

Until 1850, it was known that Indian business man practiced CSR through religious donation building temples and provided famine relief, accomplished by a sense of dharma this was rooted by cultural and religious norms. With the emerge of colonial rule force in 1850, CSR become more structure, that was influenced by the western ideas and economic changes brought by the British, this marked the beginning of more systematic approach to CSR. During the period of 1953 to 1967, the newly independent nation faced numerous challenges like poverty, illiteracy and lack of infrastructure, there was a rapid growth of recognizing the broader responsibilities of business and their involvement in community affairs which become to known as the 'awareness era'. This period marked a pivotal step for the business organisation to put more efforts towards their social impact.

The subsequent period from 1968 to 1973, was termed as the 'issue era' that comprise to focus only in specific societal issues such as the urban decay, racial discrimination and pollution, companies started to address this problem more directly, reflecting a shift in corporate responsibilities and priorities. From the year 1974 to 1984 is considered as the 'responsiveness era' which extended into subsequent decades. This period saw the companies taking significant management and organizational steps to tackle the CSR issues. It marked a deeper integration of CSR into business practices, laying down the foundation for the modern CSR initiatives.

Over the period of time, inclusive growth is critical for its development, aiming to incorporate marginalised sections of society into the growth process. Therefor the Ministry of Corporate Affairs issued 'Voluntary Guidelines on Corporate Social Responsibility', 2009 to promote business responsibilities. This guideline evolved into the 'National voluntary guidelines on Social, Economic and Environmental Responsibilities of Business,2011 that represents nine principles of responsible conduct.

"INTEGRITY FIRST" Principles for Responsible Business Conduct:

- I - Integrity: Conduct and govern with integrity; be ethical, transparent, and accountable.
- N - Nurture Safety: Provide goods and services sustainably and safely.
- T - Treat Employees Well: Respect and promote the well-being of all employees, including those in value chains.

¹² Bowen, H. R. (1953). Social Responsibility of the Businessman. New York: Harper & Row.

- E - Engage Stakeholders: Respect and be responsive to the interests of all stakeholders.
- G - Guard Human Rights: Respect and promote human rights.
- R - Restore Environment: Make efforts to protect and restore the environment.
- I - Influence Responsibly: Engage in public and regulatory policy responsibly and transparently.
- T - Thrive Inclusively: Promote inclusive growth and equitable development.
- Y - Yield Value: Engage with and provide value to consumers responsibly.

These principles collectively emphasize that integrity comes first in all business activities, ensuring ethical, sustainable, and responsible conduct.

Recognising global and national developments in sustainable business, the guidelines were updated in March 2019 as the 'National Guidelines on Responsible Business Conduct' (NGRBC). The NGRBC aligns with the United Nations Guiding Principles on business and Human Rights (UNGPs), UN Sustainable Development Goals (SDGs), and the Paris Agreement on Climate Change. These guidelines provide efficient guidelines provide a framework for the companies to grow inclusively and sustainably while addressing stakeholder concern.

Case Studies Highlighting CSR Failures and Challenges:

I. Union Carbide Corporation and the Bhopal Disaster:

- The Bhopal disaster highlights a severe failure in corporate social responsibility (CSR). A gas leak at Union Carbide's plant resulted in thousands of deaths and long-term health issues. The \$470 million settlement in 1989 was widely deemed inadequate. The persistence of site contamination and inadequate victim compensation underline Union Carbide's failure to address and rectify the disaster, raising critical questions about the sincerity of CSR commitments by multinational corporations¹³.

II. Posco Steel Plant in Odisha:

- The Posco Steel Plant project illustrates the conflict between corporate interests and community rights. Despite promises of job creation and development, the project faced allegations of forced land acquisition, inadequate compensation, and environmental violations. Intense community resistance and regulatory hurdles led to its abandonment. This case exemplifies the shortcomings of CSR initiatives that do not genuinely engage and benefit affected communities¹⁴.

III. Sesa Sterlite and the Goa Mining Case:

- In 2012, the Supreme Court of India suspended mining operations in Goa due to illegal mining and environmental degradation involving Sesa Sterlite. Despite the company's claims of contributing to local development, its operations caused significant ecological harm and disrupted local livelihoods. This case underscores the gap between CSR rhetoric and on-ground

¹³ Bhopal Gas Peedith Mahila Udyog Sangathan v. Union of India, (2012) 6 SCC 224.

¹⁴ Orissa Mining Corporation Ltd. v. Ministry of Environment and Forests, (2013) 6 SCC 674

realities, emphasizing the need for genuine corporate accountability and stringent regulatory oversight¹⁵.

IV. Vedanta and the Niyamgiri Hills:

- The Vedanta case in the Niyamgiri Hills highlights the importance of ethical business practices and indigenous rights in CSR. The Supreme Court of India empowered local Gram Sabhas to decide on Vedanta's bauxite mining proposal, which they unanimously rejected. This decision underscored the significance of community consent and the role of CSR in fostering trust and cooperation with local populations¹⁶.

V. Vedanta and the Tuticorin Sterlite Plant:

- The 2018 protests against Vedanta's Tuticorin Sterlite Plant, which led to 13 deaths due to police firing, revealed severe lapses in corporate environmental responsibility. Despite assertions of adherence to environmental norms, the plant caused significant pollution. The Supreme Court's decision to uphold the plant's closure order highlights the necessity for corporations to prioritize genuine environmental and community welfare over mere CSR compliance¹⁷.

VI. Adani Group and the Carmichael Coal Mine in Australia:

- The Adani Group's Carmichael Coal Mine project in Australia, continues to face significant opposition from environmentalists and indigenous groups. Despite receiving regulatory approvals, the project has been criticized for potential environmental damage, increased carbon emissions, and violations of indigenous land rights. The ongoing controversy underscores the limitations of CSR in addressing global environmental and social concerns¹⁸.

Comparative Analysis on Global CSR

The concept of CSR varies globally, reflecting diverse approaches to sustainability, as organisation endeavour not only profit maximization but also managing the social impacts of their actions. The implementation of CSR, particularly its commitment to environmental efforts, remains uncertain across the nation due to varying levels of effectiveness and social changes. As it now seen as a global concept and the old belief of that businesses should only focus on making money, for shareholders it is now changing. Corporate Social Responsibility is seen to be the foundation of the tripartite relationships between companies, society and the nation ensuring that business activities benefit all three as it complex and multifaceted organizational concept that encompasses its extent to which and the method by which, an organisation takes consequences responsibility for its action and non- actions along with their effects on stakeholder.

¹⁵ Goa Foundation v. Sesa Sterlite Ltd., (2018) 5 SCC 676.

¹⁶ Niyamgiri Suraksha Samiti v. State of Orissa, (2013) 6 SCC 319.

¹⁷ In Re: Sterlite Copper Plant, Thoothukudi, (2018) 6 SCC 494

¹⁸ In the Matter of the Carmichael Coal Mine Project: [2017] QLC 48

At present the top region recognising for their successful implementation of Corporate Social Responsibility worldwide are Africa, Asian, Caribbean, Europe, Middle East, North America, Pacific, South America, South Asia, South East Asia. Corporate sector in every nation plays a major role in developing its economy, but the integration of traditional ethical standards and with modern CSR expectations has led to conflicts and raised important question about the relationship between corporate governance and CSR.

Asia

CSR practice in Asia vary significantly due to the multi cultured and diverse nation in Japan and South Korea, companies place a strong emphasis on sustainability and environmental conservation as part of their CSR efforts. This includes reducing carbon footprints, managing waste responsibly, conserving energy, and implementing green technologies. South Asian countries like India, Bangladesh and Sri Lanka had immensely gained significant attention towards CSR due to the rapid economic growth. The role of business organisation has evolved globally led to increases cross- border trade, outsourcing and global capital flows, making companies more responsible for environmental protection, human rights and poverty alleviation. It has now become a global phenomenon guided by international guidelines and local legal frameworks such as the United Nation Global Compact¹⁹, Organisation for Economic and Co-operation and Development (OECD) guidelines for Multinational Enterprises²⁰, ILO Triparty Declaration of Principles Concerning Multinational Enterprises²¹ and Social Policy and India's National Voluntary Guidelines²².

In Japan and South Korea Companies has implement policies that promote a healthy work life balance, such as flexible working hours, telecommunication options, and extent parental leave. Japan, addressing the issue of 'KAROSHI'²³ (dead from overwork) has led to initiative which aimed at reducing overtime work and workplace conditions irrespective of any gender discrimination. CSR in Japan and South Korea is driven by a blend of cultural values, regulatory requirements and global business standards. Companies in these countries understand that their success is linked to their ability to operate responsibly and sustainably. By focusing on environmental conservation, employee well-being, and community support, businesses not only fulfil their social responsibilities but also contribute to the broader societal goals of sustainability, social harmony, and economic stability.

Three recent studies from South Asian Journal of Global Business Research focus²⁴ on Afghanistan, Bhutan and India offering insight into CSR in these unique contexts. In

¹⁹ United Nations Global Compact. (n.d.). The Ten Principles of the UN Global Compact.

²⁰ Organisation for Economic Co-operation and Development (OECD). (2011). OECD Guidelines for Multinational Enterprises

²¹ International Labour Organization (ILO). (2017). Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

²² <https://www.mca.gov.in/MinistryV2/nvgs.html>

²³ Lee, M., & Dyer, L. (2018). Corporate Social Responsibility in Japan and South Korea: Differences and Similarities. In Corporate Social Responsibility in Asia. Routledge

²⁴ Habibi, N. & Sadiq, M. (2020). "Corporate Social Responsibility Practices in Afghanistan: Challenges and Opportunities." South Asian Journal of Global Business Research, 9(1), 1-18

Afghanistan CSR is shaped by weak local institution that led to a fragile and often ineffective countries organisational system, means that CSR initiatives are not heavily influenced by the local regulations instead companies operating in Afghanistan tend to adopt CSR practices that align with global standards and agendas, which are prove to be more structured and enforceable it is because of the absence of their own strong governance and regulatory system, global CSR agenda has more significant influence on companies this allow business to address local needs and such as community development and social welfare, through globally recognised CSR frameworks.

Bhutan is expressively known to be the nation of ‘Gross National Happiness’²⁵ which is deeply rooted into Buddhist philosophy. Bhutan’s uniqueness towards approaching CSR to emphasise interconnectedness, ethical governance, and the well- being of all stakeholders, including the environment, rather than fully focusing on economic growth. GNH’s is a approach, which includes sustainable development, cultural preservation, environmental conservation and good governance that serves a model for how CSR can be embedded in national culture and values. Legally, Bhutan enforces environmental protection act 2007 that enables company to conduct Environmental Impact Assessment and comply with regulations designed to minimize the environmental harm. This legal framework reflects the integrity of the nation commitments to balance economic activities with environmental causes preserving the traditional values ca inspire modern CSR initiatives that promote long-term-sustainability.

Future of CSR: Moving Beyond the Myth

Corporate social responsibility (CSR) landscape in India has undergone significant changes over the decades, particularly since the enactment of Companies Act 2013, reflecting a major shift in the role of corporate entities towards social welfare. To survive in the long run, corporate must up-hold societies interest as sine qua non, embodying the principle of ‘growth with equity’.

The Ministry of Corporate Affair indicates that the total prescribed CSR fund has crossed INR 100,000 Crore in year 2018-2019. The ‘Report on CSR Expenditure by Companies 2016 to 2017’, published by the Ministry of Corporate Affairs, Government of India this report provides the insights into the CSR spending by Companies Act, 2013 as per this official data 6,286 companies spend Rs 4,719 crore towards various CSR activities the total number of such projects with 11,597 projects being carried out, the Mistry of Corporate observed an increase in Companies not following CSR rules properly as per law. Whereas the Indian CSR Outlook Report (ICOR) 2023²⁶, the board room perspective on CSR priorities were 26% of the companies have Healthcare and WASH (Water, Sanitizing and Hygiene) as their first CSR priority followed by the Environmental and Sustainability, along with the promotion of Education are prioritised by 23% of companies. Notably, Environment and Sustainability has also prominently emerged as the second and third priority for CSR with over 1/3rd and 1/4th of the companies respectably.

²⁵ Ura, K., Alkire, S., & Zangmo, T. (2012). An Extensive Analysis of GNH Index. Centre for Bhutan Studies and GNH Research.

²⁶ Indian Institute of Corporate Affairs. (2023). Indian CSR Outlook Report 2023

From year 2014- 2015 to 2022 -2023

- Over the past 9 years, during the initial years 2014 to 2015 only 56% of the companies spent the prescribed amount or more, but by 2022-2023, this figure rose to 77% this trend indicates a positive response to regulatory requirements, reflecting an increased commitment to CSR activities over time. Amendments to CSR rules such as the change in the year 2019 that required companies to carry forward unspent CSR funds have enhanced compliance by creating a more stringent framework. Despite of these overall improvements 23% of companies in 2022-2023 still had spent less than the prescribed CSR amount, indicating areas for enhanced enforcement or policy adjustment.

From 2017-2018 to 2022-2023

- The proportion of CSR funds allocated to Education and Skills ranged from 25% to 38% and for Healthcare and Wash, it remained between 27% to 36%.
- Spending on rural area development remained around 7-11% over the years, indicating constant investment but also highlighting potential for greater focus given India's vast rural population.
- On Environment project received a smaller share of CSR spending around 5-9% in recent years, suggesting an area for potential expansion as an environmental and sustainability becomes an increasing global and national priority.
- Investment in gender equality remained minimal often around 1-2% of total CSR spending highlighting a significant gap as promoting gender equality is crucial for social equity and economic growth.

From 2014- 2015 to 2022-2022

- The average CSR funds received by the top 5 states in India are Maharashtra by 13% of the total CSR funds, Karnataka received 6%, Odisha received 5%, Gujrat by 5% and Rajasthan by 4%.

This shows that the legal mandates have played a key role in the progress of CSR activities, yet there remain areas for improvement especially in expanding the scope and impact of CSR activities. Key factors such as technology, innovation, working together and engaging with the stakeholders will help to shape the companies to make a positive impact. In today's world the future of CSR is bright and full of responsibility it is important to contribute equally towards the environment for the growth of the economy and to preserve the ethnicity of the society.

CONCLUSION AND SUGGESTION

Corporate Social Responsibility (CSR) has evolved and expand over the period of time and has constantly expanding its definition, which basically remained as a characterised term for companies to manage their economic, social and environmental relationships responsibly. Government aims and expect for a long run approved CSR programme, that should be planned for the benefit of community at large. Despite of its lack in single proper definition which has led to various interpretations and inconsistent implementations across industries, it was found that this approach is seen as a comprehensive set of policies, practices, and programs intended

to minimize the negative impacts that businesses relayed on society and their natural environment. While CSR is intended to promote sustainable and ethical operations, but in actual rather than out of a true desire to contribute to social or environmental well-being it often seen to be functionary way for companies to enhance their public image, manage public perception, and mitigate reputational risks rather than to effect sustainable changes in the society.

However, most of the companies don't publish the amount of CSR they spent on their respective company the absence of robust accountability and transparent reporting mechanisms intensifies this issue, allowing companies to engage in 'greenwashing' or 'social washing',

where the perception of responsibility is created without considerable evidence of responsible actions and revealing a gap between their CSR statements and actual operations towards the environment. Therefore, while CSR is marketed as a strategy for companies to contribute positively to society, it often falls short of its promises and actions, in result the broad and undefined nature of CSR allows companies to shape it in ways that align more with their business interests than with genuine social or environmental goals. This disconnect between the ambitious goals of CSR and its practical outcomes suggests that CSR, as currently practiced, is more myth than reality—a tool for public relations rather than a true path to corporate accountability and sustainable development. For CSR to truly make a difference, there should be stricter regulations and a real commitment from companies to act responsibly.

To make Corporate Social Responsibility (CSR) more effective, several steps should be taken. The government should offer tax breaks and other financial reasons to encourage companies to invest more in CSR. Strict rules and regular checks are needed to ensure companies actually follow CSR guidelines. Raising awareness about CSR's importance will help increase support and involvement companies, especially banks, should train their employees on environmental and social risks and adopt sustainable practices without compromising the ethical values. Public-private partnerships and local community engagement can boost CSR efforts by combing resources and expertise. Expanding CSR activities to include more companies and recognizing those that excel in CSR will drive broader participation and greater impact on the society. States that lack a comprehensive Trust Act should implement and enforce it rigorously in order to do that a centralized Trust Act should be established to oversee and regulate trusts effectively, ensuring that 'inflated' and 'bogus expenses and activities are kept in check. It is essential for every state to have a mandatory Trust Act to safeguard the interests of every individual involved and maintain proper management of trust assets.