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EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

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Abstract

Corporate Social Responsibility (CSR) has evolved from voluntary philanthropic activities to a strategic component of modern business operations. Over the decades, CSR has been influenced by changing societal expectations, globalization, regulatory frameworks, and the need for sustainable development. This paper traces the historical trajectory of CSR from ancient ethical concepts to its present-day institutionalized form. It explores key global and Indian developments, highlighting the shift from optional good deeds to mandated social investments. The study also examines the transformation of CSR into a tool for competitive advantage and long-term stakeholder engagement. Through a review of literature and policy developments, the paper offers a conceptual understanding of CSR's evolution and the challenges that continue to shape its future.

Keywords:

Corporate Social Responsibility (CSR), Sustainability, Philanthropy, Stakeholder Theory, India, ESG, Business Ethics, Companies Act 2013

Introduction

Corporate Social Responsibility (CSR) refers to the ethical obligation of businesses to contribute positively to society beyond their economic and legal duties. Historically viewed as an act of corporate benevolence, CSR has gradually transformed into a strategic imperative aligned with long-term business goals and stakeholder interests. In today's globalized and socially conscious environment, CSR is no longer a peripheral activity but a central concern for companies seeking sustainable growth and reputation.

The evolution of CSR reflects broader changes in the relationship between business and society. From ancient religious and cultural practices that encouraged charity, to 19th century industrial philanthropy, to the 21st-century emphasis on ESG (Environmental, Social, and Governance) standards, CSR has become a powerful concept driving corporate governance, investor behavior, and consumer expectations.

This paper aims to chart the evolution of CSR across various historical stages and its transformation from voluntary philanthropy to regulated social responsibility, particularly focusing on the Indian legal framework and global CSR trends.

2.Review of Literature

2.1 Early Theoretical Approaches

Bowen (1953), often regarded as the father of modern CSR, defined it as the obligation of businessmen to pursue policies and decisions desirable in terms of societal values. His work laid the groundwork for CSR as a formal concept in business ethics.

2.2 Stakeholder Theory and Ethical Business

Freeman's Stakeholder Theory (1984) emphasized that businesses must consider the interests of all stakeholders—employees, customers, communities, and investors—not just shareholders. This approach redefined CSR from a purely ethical act to a business strategy.

2.3 CSR and Strategic Management

Porter and Kramer (2006) proposed the idea of "Creating Shared Value" (CSV), where companies can generate economic value by addressing social problems. Their work linked CSR to business innovation and long-term profitability.

2.4 CSR in the Indian Context

Sundar (2000) explored the evolution of CSR in India, emphasizing traditional philanthropic practices rooted in religious beliefs. Post-economic liberalization, Indian companies began aligning CSR with international standards. The Companies Act, 2013 institutionalized CSR by mandating qualifying firms to spend at least 2% of their profits on CSR activities.

2.5 Global Frameworks and Reporting Standards

Scholars have also examined international CSR frameworks like the UN Global Compact, ISO 26000, and GRI Standards. These frameworks have pushed companies toward greater transparency and alignment with Sustainable Development Goals (SDGs).

2.6 Criticism and Challenges

Banerjee (2007) criticized CSR for often being superficial, more focused on image than impact. Other researchers point to greenwashing, lack of accountability, and disparities in CSR impact between urban and rural areas.

3. Research Methodology

This study adopts a qualitative and descriptive research design. The aim is to explore and analyze the historical progression and theoretical development of Corporate Social Responsibility (CSR) across time, regions, and industries. The paper is conceptual in nature and relies on secondary data sources.

The study is based entirely on secondary data, collected from:

Peer-reviewed journal articles

Books and academic publications

Government reports and policy documents (e.g., Companies Act, 2013 in India)

Reputed organizational reports (e.g., UN Global Compact, ISO 26000)

Online databases such as JSTOR, Google Scholar, SSRN, and Scopus

4. Objective of the Study:

The primary objective of this study is to trace the historical development and evolution of Corporate Social Responsibility (CSR) as a business philosophy and practice, from its early philanthropic roots to its current role as a strategic component in global business operations. The study also aims to:

1. Analyze the conceptual shifts in CSR across different time periods and regions.

2. Examine key milestones, theories, and global frameworks that have shaped CSR.

3. Explore the legal and policy developments, especially in the Indian context, that have institutionalized CSR.

4. Evaluate the changing motivations and expectations of businesses and stakeholders regarding CSR.

5. Identify emerging trends and future directions in CSR with a focus on sustainability, ESG, and responsible business conduct.

5. CSR in the 20th Century

Rise of CSR in Developed Nations Post-WWII

In the aftermath of World War II, industrialized countries confronted not only the task of physical reconstruction but also the challenge of repairing social and economic fabrics fractured by years of conflict. Governments, citizens and labour movements began to demand that corporations—not merely as economic engines but as social institutions— play an active role in addressing unemployment, poverty and public health. This era saw the birth of "welfare capitalism," where firms instituted employee-welfare programs (pensions, healthcare, training) and community-investment schemes. By the 1960s, CSR had moved from sporadic philanthropy into formalized corporate policies: large conglomerates in the United States, Western Europe and Japan published their first social responsibility reports, signaling a commitment to transparency and stakeholder engagement beyond shareholders.

Emergence of Stakeholder Theory (Freeman, 1984)

While early CSR efforts focused heavily on philanthropy and welfare, the conceptual breakthrough came with R. Edward Freeman's seminal work, Strategic Management: A Stakeholder Approach (1984). Freeman reframed CSR as an exercise in balancing the legitimate interests of all those affected by corporate actions—employees, customers, suppliers, local communities, financiers and regulators—rather than prioritizing shareholder returns alone. This stakeholder perspective argued that long-term corporate success depends on nurturing trust and reciprocal value creation among diverse constituencies. By integrating stakeholder analysis into strategic planning, firms could anticipate social risks, innovate responsibly and strengthen their license to operate. Freeman's theory provided both the moral foundation and the managerial roadmap for CSR to evolve from ad hoc charity into an integral dimension of corporate strategy.

Influence of Globalization on CSR Awareness

From the late 1970s onward, advances in communication and trade liberalization accelerated the spread of multinational corporations—and with them, both best-practice CSR models and public scrutiny. NGOs, international labour federations and media outlets began highlighting labour abuses, environmental degradation and human-rights violations in supply chains. In response, global corporations adopted unified codes of conduct, joined international initiatives such as the UN Global Compact (launched 2000) and implemented cross-border reporting frameworks (e.g., GRI Standards). As CSR concepts crossed national boundaries, companies recognized that universal principles— transparency, accountability and respect for human dignity—were essential to maintaining reputation and competitiveness in an interconnected marketplace.

6. Modern CSR: 21st Century Trends

The 21st century has witnessed a paradigm shift in the way corporations perceive and practice Corporate Social Responsibility (CSR). Unlike earlier decades where CSR was often confined to philanthropic donations or community service activities, modern CSR has become a strategic tool aligned with business objectives, stakeholder expectations, and global sustainability goals. The following trends highlight the transformation of CSR in contemporary business practices:

Integration of CSR into Corporate Strategy

Modern corporations are increasingly embedding CSR into their core business strategy rather than treating it as a separate or peripheral function. This integration ensures that ethical, social, and environmental considerations are part of everyday decision-making, operations, and long-term planning. CSR is no longer viewed merely as a cost but as an investment in brand value, stakeholder trust, and sustainable growth. Companies align their CSR initiatives with their mission, vision, and values to create shared value— benefiting both the business and society.

Triple Bottom Line: People, Planet, Profit

The concept of the Triple Bottom Line (TBL), introduced by John Elkington, has become central to modern CSR. It emphasizes that companies should focus not just on financial outcomes (Profit) but also on their social responsibilities (People) and environmental impact (Planet). This holistic approach encourages businesses to evaluate their success based on their overall contribution to society and the environment, alongside their economic performance. The TBL framework drives companies to adopt sustainable and inclusive practices, ensuring long-term viability and ethical conduct.

Shift from Voluntary to Mandatory CSR: The Indian Context

A significant milestone in the evolution of CSR is the transition from voluntary to mandatory compliance in several jurisdictions. A prime example is India's Companies Act, 2013, Section 135, which made CSR activities compulsory for certain companies. As per the Act, companies with a net worth of ₹500 crore or more, a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more are required to spend at least 2% of their average net profits on CSR activities. This legislation has not only formalized CSR efforts but also increased accountability, transparency, and impact across various sectors in India.

Rise of ESG (Environmental, Social, Governance) Frameworks

The growing importance of sustainable and responsible investing has given rise to the ESG framework, which evaluates a company's performance based on Environmental, Social, and Governance criteria. ESG has become a critical benchmark for investors, regulators, and rating agencies. Companies that perform well on ESG metrics are often perceived as less risky and more future-ready. This trend reflects a deeper shift in global business norms—where financial performance is closely linked with ethical behavior, environmental stewardship,

and sound governance practices. ESG reporting is now an essential aspect of CSR disclosures in many countries, pushing companies toward greater transparency and accountability.

7.Global CSR Movements and Frameworks

As Corporate Social Responsibility (CSR) gained recognition worldwide, various international frameworks and movements emerged to guide and standardize socially responsible business practices. These global initiatives play a crucial role in shaping CSR policies, enhancing accountability, and promoting ethical, sustainable development among businesses across different economies.

United Nations Global Compact (UNGC)

Launched in 2000, the United Nations Global Compact is the world's largest voluntary corporate sustainability initiative. It encourages businesses to align their operations and strategies with Ten Principles related to human rights, labour, environment, and anticorruption. The compact serves as a platform for dialogue, learning, and partnership among businesses, UN agencies, and civil society.

Purpose: To promote responsible corporate citizenship globally.

Impact: Over 15,000 companies and 3,800 non-business signatories from more than 160 countries participate.

Relevance to CSR: Encourages businesses to go beyond profit-making and adopt ethical practices that benefit society and the environment.

ISO 26000 Guidelines

The International Organization for Standardization (ISO) introduced ISO 26000 in 2010 as a guidance standard on social responsibility. Unlike other ISO standards, it is non-certifiable, focusing on principles and practices rather than specific requirements.

Key Principles: Accountability, transparency, ethical behavior, respect for stakeholder

interests, rule of law, human rights, and environmental sustainability.

Core Subjects: Organizational governance, human rights, labor practices, environment, fair operating practices, consumer issues, and community involvement.

Relevance to CSR: Offers a comprehensive, structured framework for integrating social responsibility into an organization's values and operations.

Sustainable Development Goals (SDGs)

Adopted by the United Nations in 2015, the Sustainable Development Goals (SDGs) are a set of 17 global goals designed to address urgent social, environmental, and economic challenges by 2030. They provide a strategic blueprint for companies to align their CSR efforts with global development priorities.

Examples of Relevant Goals:

Goal 1: No Poverty

Goal 5: Gender Equality

Goal 8: Decent Work and Economic Growth

Goal 13: Climate Action

Relevance to CSR: SDGs have become a benchmark for businesses to measure the impact of their CSR programs and ensure long-term sustainability.

Corporate Citizenship and Global Governance

Corporate citizenship refers to a company's role as a responsible member of society. It emphasizes voluntary commitments by businesses to improve the quality of life for their employees, communities, and the environment. This concept goes hand in hand with global governance, which involves collaborative efforts among international organizations, governments, and private enterprises to regulate and guide corporate behavior.

*Corporate Citizenship:

Encourages businesses to act as "good citizens" by supporting community welfare and ethical practices.

*Global Governance:

Involves policy coordination, standard-setting, and enforcement through international bodies like the UN, World Bank, and WTO.

*Relevance to CSR:

Enhances the legitimacy and credibility of corporate actions in the global marketplace and ensures that CSR aligns with universal human values and sustainable development goals.

These global frameworks and movements have significantly contributed to the institutionalization of CSR, guiding businesses toward long-term sustainability, ethical responsibility, and inclusive growth. Their evolution has marked a shift from voluntary philanthropy to strategic, principle-based corporate behavior aligned with global expectations.

8. CSR in India: A Special Focus

Traditional Indian Values on Charity (Daana and Seva)

Corporate Social Responsibility (CSR) in India has deep roots in the country's rich cultural and spiritual traditions. Ancient Indian philosophy has long emphasized the concepts of "daana" (charity or giving) and "seva" (selfless service) as integral aspects of dharma (duty). Kings, merchants, and communities were traditionally encouraged to support education, public welfare, water tanks, and temples. These values continue to influence Indian corporate philanthropy today, creating a strong moral foundation for CSR activities. Unlike the Western business focus on profit maximization, Indian ethos has historically supported the idea of businesses serving a broader social purpose.

Role of Major Indian Companies

Several Indian corporations have played a pioneering role in institutionalizing CSR long before it became a legal obligation. Notable examples include:

Tata Group: Known for its ethical business values, the Tata Group has long invested in education, healthcare, rural development, and women's empowerment. Institutions like the Tata Institute of Social Sciences (TISS) and Tata Memorial Hospital are results of its philanthropic vision.

Infosys: Through the Infosys Foundation, the company has supported various projects in the fields of education, healthcare, arts, and rural development. Their emphasis on transparency and impact measurement has set high standards in corporate giving.

Reliance Industries: The Reliance Foundation, led by Nita Ambani, undertakes large-scale CSR projects in rural transformation, health, disaster relief, education, and sports development

These corporations demonstrate how Indian businesses have integrated social consciousness into their corporate philosophy, going beyond just legal compliance.

CSR mandate under the Companies Act, 2013

India became the first country in the world to make CSR mandatory by law through the Companies Act, 2013, which came into force on April 1, 2014. According to Section 135 of the Act:

Companies with a net worth of ₹500 crore or more or a turnover of ₹1,000 crore or more or a net profit of ₹5 crore or more in the last three years should spend at least 2% of their average net profit on CSR activities.

CSR activities fall within the areas specified in Schedule VII, namely education, health, gender equality, environmental sustainability and rural development.

Companies are required to set up a CSR committee and disclose CSR expenditure in their annual reports.

This legal framework transformed CSR from a voluntary act into a structured commitment, which increased corporate accountability and social investment.

Challenges in CSR Implementation in India

Despite the progressive legal mandate, CSR implementation in India faces several challenges:

Lack of Awareness and Expertise: Many medium and small-scale companies lack the understanding or resources to execute effective CSR programs.

Urban Bias: A significant portion of CSR spending is concentrated in urban areas, leaving rural and tribal regions underserved.

Box-ticking Approach: Some companies see CSR as a compliance burden rather than a genuine commitment, leading to superficial projects with minimal long-term impact.

Monitoring and Evaluation: There is often a lack of proper monitoring, impact assessment, and transparency in reporting CSR initiatives.

Mismatch between Community Needs and Corporate Projects: Sometimes CSR programs are driven by corporate interests rather than actual community needs, limiting their effectiveness.

To overcome these hurdles, there is a need for more strategic partnerships between corporations, non-governmental organizations (NGOs), and local governments, along with a stronger focus on sustainability and measurable outcomes.

9.Criticisms and Challenges

Despite the growing recognition and institutionalization of Corporate Social Responsibility (CSR), its implementation faces several criticisms and practical challenges. While many organizations have integrated CSR into their business models, concerns have been raised regarding the authenticity, transparency, and effectiveness of such initiatives. The key criticisms are as follows:

Greenwashing and Fake CSR

One of the most prominent criticisms of modern CSR is greenwashing, where companies falsely portray themselves as environmentally friendly or socially responsible to gain public approval.

This involves investing more in marketing CSR activities than actually engaging in them. Companies may highlight token donations, eco-friendly packaging, or small-scale projects while continuing to operate in ways that harm the environment or exploit labor. Such practices erode public trust and undermine the true purpose of CSR, which is to contribute genuinely to sustainable and ethical business conduct.

Lack of Transparency and Accountability

Transparency and accountability remain significant challenges in CSR implementation, particularly in developing countries. Many organizations fail to provide clear data on their CSR spending, impact assessment, or third-party audits. This opacity makes it difficult for stakeholders—governments, investors, and the public—to evaluate the effectiveness of CSR programs. Inadequate regulatory enforcement and weak reporting mechanisms further contribute to this issue, allowing companies to escape scrutiny and manipulate their CSR records.

CSR as a Marketing Tool Rather Than a Genuine Effort

Another major criticism is that some corporations use CSR merely as a public relations strategy to improve brand image and gain competitive advantage. This instrumental approach focuses on maximizing returns rather than making a meaningful social or environmental impact. CSR, in such cases, becomes more about reputation management than responsibility. The original essence of CSR—as a moral and ethical duty of business—is lost when profit-driven motives overshadow social goals.

Imbalance in Rural vs Urban CSR Focus

There is also a notable geographical imbalance in CSR project distribution, with a disproportionate focus on urban areas where corporate visibility is higher. While rural regions in countries like India often face more severe developmental challenges—such as poor education, healthcare, and infrastructure—they receive relatively less CSR attention. This urban-centric bias not only limits the overall impact of CSR but also contradicts the inclusive development goals envisioned by national CSR mandates.

10.Future of CSR

As the business environment becomes increasingly dynamic and interconnected, the future of Corporate Social Responsibility (CSR) is expected to move beyond traditional philanthropic models and embrace strategic, tech-enabled, and stakeholder-focused approaches. Several trends are shaping the next phase of CSR development:

Integration with Technology and Innovation (CSR in AI, Fintech, etc.)

Technology is revolutionizing the way companies approach CSR. With the emergence of Artificial Intelligence (AI), blockchain, and financial technologies (Fintech), CSR initiatives are becoming more data-driven, transparent, and scalable.

AI is being used to predict social needs, monitor environmental impact, and automate CSR reporting. For example, AI-powered tools can analyze community health patterns and help businesses tailor their healthcare-related CSR efforts.

Blockchain enhances trust and traceability in CSR activities by recording donations, project execution, and beneficiary tracking on decentralized ledgers.

In Fintech, digital platforms are enabling micro-donations, inclusive financial services, and responsible lending, thus expanding the social reach of businesses through innovation.

These technologies not only improve efficiency but also help businesses align their CSR goals with global development agendas such as the Sustainable Development Goals (SDGs).

Stakeholder Capitalism and Responsible Business

The rise of stakeholder capitalism marks a major shift in business philosophy—from profit maximization to value creation for all stakeholders, including employees, customers, communities, and the environment. This model positions CSR as an integrated business function, rather than an afterthought.

Companies are now expected to engage with local communities, respect human rights, and promote environmental sustainability in their core operations.

Responsible business practices, including ethical supply chain management and employee well-being, are becoming central indicators of corporate reputation and longterm success.

The stakeholder approach makes CSR more inclusive and strategic, emphasizing mutual benefit and long-term impact.

Increasing Consumer and Investor Activism

Consumers and investors today are more socially conscious and better informed than ever before. This is driving companies to adopt transparent and accountable CSR strategies.

Consumers are favoring brands that demonstrate ethical behavior, environmental responsibility, and fair labor practices. Negative publicity over social or environmental failures can lead to significant brand damage.

Investors, particularly ESG (Environmental, Social, Governance)-focused funds, are increasingly assessing companies based on their CSR performance. Businesses are now being ranked not only on financial returns but also on their social contributions.

This shift has created a powerful incentive for companies to embed CSR into their governance and risk management frameworks.

CSR Reporting and Real-Time Monitoring

Accurate reporting and performance tracking are becoming essential elements of modern CSR. Stakeholders demand real-time data on how businesses are making a difference.

Digital dashboards and data analytics tools are enabling real-time monitoring of CSR projects, helping companies measure impact, track resource utilization, and adjust strategies accordingly.

International frameworks like the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) are encouraging standardized reporting, making CSR performance comparable across companies and sectors.

Transparent reporting enhances stakeholder trust and holds businesses accountable for their commitments

11.Conclusion

The journey of Corporate Social Responsibility (CSR) has evolved significantly over the decades—from traditional philanthropic acts to a strategic business function that aligns with global sustainability goals. Initially rooted in moral and religious duties, CSR gradually expanded through industrialization, globalization, and socio-political developments to become an essential aspect of modern corporate governance.

In today's context, CSR is no longer confined to optional goodwill activities. It has matured into a growing responsibility that reflects a company's commitment to its stakeholders, including society, environment, employees, and future generations. Legal frameworks like India's Companies Act, 2013, have further reinforced the importance of CSR, but its real impact comes from voluntary, ethical, and proactive engagement beyond mere compliance.

As we move forward, it is crucial for businesses to embrace CSR not as an obligation, but as an opportunity to drive positive change. Ethical conduct, inclusive growth, and sustainable development should form the core of all corporate strategies. True CSR lies in integrating social value into business operations—where profits and purpose go hand in hand for a better and more equitable future.

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