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Corporate Social Responsibility: A Catalyst for Sustainable Business Practices in the 21st Century

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ABSTRACT

In the 21st century, Corporate Social Responsibility (CSR) has emerged as a transformative force, reshaping the traditional business paradigm and redefining the role of corporations in society. As global challenges such as climate change, social inequality, and resource scarcity intensify, businesses are increasingly expected to go beyond profit-making and embrace sustainable, ethical, and socially responsible practices. This paper explores CSR as a catalyst for sustainable business practices, examining how companies that integrate ESG considerations into their core strategies not only mitigate risks but also unlock long-term value for stakeholders. The study highlights the growing shift from voluntary philanthropy to strategic CSR, where corporate initiatives align with global sustainability goals, such as the UN SDGs. By analyzing case studies across diverse industries, the paper illustrates the tangible impact of CSR on brand reputation, consumer loyalty, employee engagement, and investor confidence. It also addresses the evolving expectations of stakeholders who demand transparency, accountability, and purpose-driven leadership. The paper underscores that CSR is not merely a compliance tool but a driver of innovation and competitive advantage in the modern business ecosystem. Furthermore, it emphasizes the need for a multi-stakeholder approach, integrating government regulations, civil society activism, and corporate commitment to foster inclusive and sustainable development. CSR in the 21st century represents a strategic imperative—one that enables businesses to be resilient, responsible, and relevant in a rapidly changing world.

KEYWORDS

Sustainability, Responsibility, Innovation, Governance, Stakeholders

EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN MODERN BUSINESS

The CSR has undergone a profound transformation over the decades—from an optional act of corporate benevolence to a strategic necessity embedded within the core DNA of modern businesses. Traditionally seen as charitable contributions or community goodwill efforts, CSR has evolved into a multi-dimensional approach to ethical business that encompasses environmental stewardship, social justice, human rights, and transparent governance. In today's interconnected and socially conscious world, companies are no longer judged solely by their profits, but also by their purpose and impact on society.

The shift in perception began in the late 20th century when globalization and access to information increased public scrutiny of corporate behavior. Consumers, investors, and civil society began holding companies accountable for environmental degradation, labor exploitation, and unethical practices. By 2015, over 90% of Fortune 500 companies were publishing sustainability or CSR reports, according to the Governance & Accountability Institute.¹

One pivotal example of CSR evolution is Unilever's Sustainable Living Plan, which set ambitious targets to improve health, reduce environmental footprint, and enhance livelihoods across its value chain. This long-term strategy helped Unilever not only achieve significant cost savings—such as reducing energy consumption by 28% between 2008 and 2016—but also increase brand value. Its socially responsible brands such as Dove, Lifebuoy, and Ben & Jerry's experienced 69% faster growth than others in their portfolio.²

Another remarkable case is the Tata Group in India, which has embedded CSR into its identity for over a century. With 66% of its ownership held by philanthropic trusts, the Tata Group has

¹ Sustainability Reporting Trends, <https://www.gainstitute.com/research/research/sustainability-reporting-trends/> (last visited Apr 12, 2025).

² Unilever global company website - 2010 - 2020, Unilever, <https://www.unilever.com/our-company/our-history-and-archives/2010-2020/> (last visited Apr 12, 2025).

consistently funded programs in health, education, rural development, and women's empowerment. In 2022, the Tata Trusts disbursed over ₹1,200 crore towards community development projects, making it one of India's largest corporate contributors to social impact.³

This evolution is also reflected in policy. The countries like India have institutionalized CSR through legislation. Under Section 135 of the Companies Act, 2013, firms exceeding specific thresholds in net worth, turnover, or profit are mandated to spend 2% of their average net profits over the past three years on CSR activities. According to data from the Ministry of Corporate Affairs, Indian companies collectively spent over ₹26,000 crore on CSR between 2014 and 2022.⁴

Today, CSR has expanded to include climate action, ethical AI deployment, diversity and inclusion, and circular economy support. The rise of ESG metrics has further driven corporations to align operations with global frameworks like the UN SDGs. A PwC Global Consumer Insights Pulse Survey (2021) reported that 76% of consumers would stop buying from companies that treat the environment or employees poorly—demonstrating CSR's tangible impact on consumer behavior.⁵

In essence, CSR has moved from the margins to the mainstream. It is no longer a box-ticking exercise but a cornerstone of sustainable business strategy. Forward-looking companies understand that responsible corporate behavior is not only ethically right but also vital for innovation, stakeholder trust, and long-term growth.

STRATEGIC INTEGRATION OF CSR INTO CORE BUSINESS MODELS

In today's hyper-connected world, the integration of CSR into core business strategy has become not just a progressive step, but a strategic imperative. No longer confined to peripheral charity or

³ Tata-Trusts-Annual-Report-2022-23, <https://www.tatatrusters.org/ebook/tata-trusts-annual-report-2022-23/index.html> (last visited Apr 12, 2025).

⁴ CSR Expenditure in India Hits 26278 Cr: Over 60% Allocated to Health, Education, and Environment in 2021-22, The CSR Universe, <https://thecsruniverse.com/articles/csr-expenditure-in-india-hits-26278-cr-over-60-allocated-to-health-education-and-environment-in-2021-22> (last visited Apr 12, 2025).

⁵ PricewaterhouseCoopers, *Global Consumer Insights Pulse Survey June 2023*, PwC, <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html> (last visited Apr 12, 2025).

one-off sustainability campaigns, CSR is being woven into the fabric of how organizations operate, make decisions, innovate, and grow. Companies that align their CSR efforts with their long-term goals are realizing both societal value and financial performance, making it clear that doing good and doing well are no longer mutually exclusive.

Strategic CSR begins with alignment—where a company’s social and environmental objectives are in sync with its mission, values, and operations. According to a 2022 study by McKinsey, more than 70% of executives agreed that CSR initiatives, when strategically embedded, enhance long-term profitability and reduce regulatory and reputational risks.⁶ The report further notes that companies with strong sustainability agendas are 2.6 times more likely to outperform their peers financially.

A compelling example of strategic CSR integration is Patagonia, the outdoor apparel brand. Patagonia doesn’t just donate to environmental causes; its entire business model is built on environmental activism. The company encourages product repair over replacement, sources sustainable materials, and donates 1% of sales to grassroots environmental groups through its “1% for the Planet” initiative. In 2022, Patagonia’s founder even transferred company ownership to a trust dedicated to fighting climate change, aligning the brand’s profit model directly with its CSR mission.

Similarly, Mahindra & Mahindra, one of India’s largest conglomerates, has strategically aligned its CSR with its core business goals. Their flagship project, Nanhi Kali, which supports the education of underprivileged girls, is deeply tied to their vision of nation-building and inclusive development. As of 2023, the initiative has supported over 500,000 girls across India. By engaging employees in the program and integrating it into their business ethos, Mahindra strengthens brand loyalty while fostering social change.⁷

Strategic CSR also leads to innovation. IKEA, the global furniture giant, has invested heavily in sustainable product design. It aims to become a fully circular business by 2030, using only renewable

⁶ ESG is essential for companies to maintain their social license | McKinsey, <https://www.mckinsey.com/capabilities/sustainability/our-insights/does-esg-really-matter-and-why> (last visited Apr 12, 2025).

⁷ Project Nanhi Kali: Empowering underprivileged girls with access to quality education, <https://www.mahindra.com/blogs/project-nanhi-kali-empowering-underprivileged-girls-with-access-to-quality-education> (last visited Apr 12, 2025).

or recycled materials. In 2021, IKEA launched a “Buy Back” program in select markets, allowing customers to return used furniture for resale, reducing waste and increasing customer engagement. This move not only boosted the company’s eco-credentials but also opened new revenue channels.

The key to strategic integration lies in metrics and transparency. Companies are increasingly adopting ESG frameworks to measure and report CSR performance. According to KPMG’s 2022 Sustainability Reporting Survey, 96% of the world’s top 250 companies now report on sustainability, often aligning with frameworks like the Global Reporting Initiative (GRI) and the UN SDGs.⁸

By embedding CSR into governance, supply chains, human resources, and product innovation, companies are moving from compliance to commitment. This shift not only earns consumer trust but also strengthens internal culture, enhances investor confidence, and builds resilience in a volatile global market. Ultimately, strategic CSR is about creating shared value—where business success goes hand in hand with societal progress. It’s a future-forward model of capitalism where companies serve not just shareholders, but all stakeholders.

CSR AND ITS IMPACT ON STAKEHOLDER ENGAGEMENT

The CSR has evolved into a powerful mechanism for building trust, enhancing communication, and deepening engagement with stakeholders—ranging from employees and customers to investors, communities, and regulators. In a business environment where transparency, ethics, and accountability are paramount, companies are recognizing that engaging stakeholders through meaningful CSR initiatives is not just good practice—it’s essential for long-term sustainability.

Stakeholders today expect businesses to go beyond profits. According to the 2021 Edelman Trust Barometer, 86% of consumers believe that CEOs should speak out on societal challenges like climate change, inequality, and labor issues.⁹ This signals a major shift from transactional relationships to purpose-driven expectations. CSR becomes the bridge—connecting

⁸ Key global trends in sustainability reporting, KPMG, <https://kpmg.com/xx/en/our-insights/esg/survey-of-sustainability-reporting-2022/global-trends.html> (last visited Apr 12, 2025).

⁹ 2021 Edelman Trust Barometer, Edelman, <https://www.edelman.com/trust/2021-trust-barometer> (last visited Apr 12, 2025).

corporate values with stakeholder concerns and aspirations.

For employees, CSR initiatives can significantly boost morale, loyalty, and productivity. A study by Cone Communications found that 64% of millennials won't take a job if a potential employer doesn't have strong CSR practices. When companies actively involve their staff in community volunteering or sustainability projects, it enhances employee engagement and creates a shared sense of purpose. For example, Salesforce integrates CSR into its company culture through its "1-1-1 model," where it donates 1% of equity, 1% of employee time, and 1% of product to charitable causes. This model has empowered employees to participate in over 6.2 million volunteer hours, reinforcing their identity as change-makers within the company.¹⁰

From a customer standpoint, CSR plays a pivotal role in brand loyalty and trust. The Nielsen Global Corporate Sustainability Report (2015) found that 66% of consumers are willing to pay more for products from companies committed to positive social and environmental impact.¹¹ Brands like The Body Shop and TOMS Shoes have built their entire identities around ethical sourcing and giving back—turning customers into loyal advocates. TOMS' "One for One" model, where a pair of shoes is donated for every one purchased, has given over 100 million shoes to children in need, engaging customers in a shared social mission.

Investors are increasingly factoring CSR and sustainability metrics into decision-making. According to Morningstar, global assets under management in ESG funds crossed \$2.7 trillion in 2022.¹² Strong CSR performance reduces regulatory and reputational risks, while signaling long-term thinking and corporate resilience. Companies like Microsoft, which has committed to being carbon negative by 2030, attract socially conscious investors who value sustainability-driven governance.

Communities, too, are no longer passive beneficiaries—they are

¹⁰ Thomas Edison State University & Kelly Alverson, *2.7 Profiles in Business Ethics: Contemporary Thought Leaders*, <https://pressbooks.pub/ethicalleadership/chapter/2-7/> (last visited Apr 12, 2025).

¹¹ Corporate Social Responsibility Matters: Ignore Millennials at Your Peril, Center for Social Impact Communication, <https://csic.georgetown.edu/magazine/corporate-social-responsibility-matters-ignore-millennials-peril/> (last visited Apr 12, 2025).

¹² Global ESG Fund Flows Increase in Q4, Morningstar, Inc. (2025), <https://www.morningstar.com/sustainable-investing/global-esg-fund-flows-increase-q4> (last visited Apr 12, 2025).

becoming co-creators of CSR programs. For instance, ITC's e-Choupal initiative in India has digitally empowered over 4 million farmers, improving their market access and income through a tech-enabled engagement platform.¹³ This kind of grassroots CSR not only benefits communities but enhances the company's social license to operate.

In essence, CSR enhances stakeholder engagement by making them feel valued, heard, and part of a greater mission. When organizations align their values with societal expectations and foster transparency, they build authentic relationships with stakeholders that go beyond business transactions. CSR thus becomes a dynamic force—cultivating trust, loyalty, and collaboration in a way that strengthens both social impact and corporate reputation.

CORPORATE ACCOUNTABILITY AND GLOBAL SUSTAINABILITY GOALS

In an era defined by climate crises, social inequality, and economic disparity, the demand for corporate accountability has never been greater. With governments, communities, and investors all calling for greater transparency and responsibility, businesses are under increasing pressure to align their operations with the UN SDGs—a universal framework of 17 goals aimed at ending poverty, protecting the planet, and ensuring prosperity for all by 2030. Corporate accountability is no longer a buzzword; it is a necessary principle for building trust, ensuring compliance, and driving long-term impact.

At the core of corporate accountability lies the idea that businesses must not only report their actions but also be held responsible for the consequences—both intended and unintended. This includes their environmental footprint, labor practices, supply chain ethics, and contributions to inclusive growth. According to the World Business Council for Sustainable Development, over 85% of Fortune Global 500 companies have committed to at least one of the SDGs in their strategic planning.¹⁴ However, commitment is only the beginning. Real accountability demands measurable progress, transparent reporting, and active

¹³ ITC e-Choupal - Rural India's largest Internet-based intervention, <https://www.itcportal.com/businesses/agri-business/e-choupal.aspx> (last visited Apr 12, 2025).

¹⁴ GRI - Integrating SDGs into sustainability reporting, <https://www.globalreporting.org/public-policy/sustainable-development/integrating-sdgs-into-sustainability-reporting/> (last visited Apr 12, 2025).

stakeholder engagement.

Nestlé, for example, has aligned its sustainability roadmap with several SDGs, including Zero Hunger (Goal 2) and Responsible Consumption and Production (Goal 12). The company's Net Zero Roadmap targets full carbon neutrality by 2050 and outlines steps to reduce greenhouse gas emissions by 20% by 2025 and 50% by 2030.¹⁵ Nestlé has also published annual impact reports audited by third parties, reflecting a shift from ambition to measurable accountability.

In India, Infosys has emerged as a leader in responsible corporate governance. The company has been carbon neutral since 2020—making it one of the first global IT firms to achieve this milestone. Its initiatives support SDG 13 (Climate Action) and SDG 7 (Affordable and Clean Energy). Infosys has invested in renewable energy, efficient infrastructure, and afforestation projects that have sequestered over 1.6 million tons of CO₂. Importantly, these outcomes are publicly reported through the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI), ensuring transparency and accountability.

Corporate accountability also extends to social goals. For instance, Coca-Cola's 5by20 initiative aimed to empower 5 million women entrepreneurs across its value chain by 2020, aligning with SDG 5 (Gender Equality). By providing access to business skills training, financial services, and mentorship, Coca-Cola exceeded this goal, positively impacting lives in over 100 countries. The initiative demonstrated that inclusive business models not only uplift communities but also reinforce brand trust and consumer loyalty.

However, despite progress, a significant accountability gap persists. The UN Global Compact Progress Report (2022) found that while 92% of companies surveyed support the SDGs, only 39% have integrated them deeply into their strategy and operations.¹⁶ This disconnect highlights the need for robust accountability mechanisms such as ESG disclosures, sustainability audits, and stakeholder forums.

Ultimately, corporate accountability in the context of global sustainability is about more than ticking boxes or publishing glossy reports. It is about embedding purpose in profit, setting

¹⁵ Net Zero by 2050 – Analysis, IEA (2021), <https://www.iea.org/reports/net-zero-by-2050> (last visited Apr 12, 2025).

¹⁶ The SDGs Explained for Business | UN Global Compact, <https://unglobalcompact.org/sdgs/about> (last visited Apr 12, 2025).

clear targets, backing them with data, and being answerable to people and the planet. As businesses face increasing scrutiny, only those that embrace accountability as a core value will lead in shaping a more just, equitable, and sustainable future.

CHALLENGES AND OPPORTUNITIES IN IMPLEMENTING EFFECTIVE CSR

The CSR has transformed from a goodwill gesture into a strategic necessity. While its benefits in enhancing brand reputation, stakeholder engagement, and sustainable development are evident, businesses still grapple with multiple obstacles in implementing truly effective CSR programs. At the same time, evolving technologies, regulatory frameworks, and stakeholder activism present vast opportunities. Here's a closer look at the challenges and the potential lying ahead.

Challenges in Implementing Effective CSR

1. Many companies treat CSR as a siloed activity rather than integrating it into their overall strategy. A 2022 KPMG survey showed that while 92% of large companies report on CSR, only 39% integrate it into their core operations.¹⁷
2. Quantifying the social and environmental impact of CSR is a complex task. Unlike financial metrics, social value is often intangible and lacks standardized benchmarks, making reporting inconsistent across industries.
3. Companies that exaggerate their CSR achievements or engage in “greenwashing” risk reputational damage. For example, Volkswagen’s emissions scandal undermined its environmental claims and eroded consumer trust, despite its previous CSR marketing efforts.
4. While large corporations have the bandwidth to design and implement CSR programs, SMEs often struggle due to budget constraints and lack of expertise.
5. Especially in emerging economies, CSR compliance may involve navigating complex legal landscapes. In India, companies must allocate 2% of net profits toward CSR under Section 135 of the Companies Act, 2013—a mandate that many smaller firms find burdensome.

¹⁷ The move to mandatory reporting: Survey of Sustainability Reporting 2024, KPMG, <https://kpmg.com/xx/en/our-insights/esg/the-move-to-mandatory-reporting.html> (last visited Apr 12, 2025).

6. Without active employee engagement, CSR can become a tick-box activity. A Gallup report highlighted that only 33% of employees in global companies feel connected to their organization's CSR efforts.¹⁸

Opportunities in Advancing CSR Effectively

1. Businesses that map their CSR programs to the SDGs gain a strategic framework for addressing global challenges while reinforcing brand relevance. Unilever aligns its sustainability strategy with 12 SDGs and reported €1 billion in cost savings from sustainability-related innovations.
2. With AI, IoT, and blockchain, companies can track environmental footprints, monitor supply chains, and transparently report CSR outcomes. Startups like Goodera help companies measure and communicate their social impact efficiently.
3. CSR is a powerful tool to gain trust. A Nielsen study found 73% of global consumers are willing to change consumption habits to reduce environmental impact.¹⁹
4. Firms with socially responsible missions often attract and retain top talent. Ben & Jerry's, for instance, incorporates employee activism and equity into business decisions, leading to higher internal satisfaction and brand loyalty.
5. Collaborating with local NGOs enables companies to reach underserved communities more effectively. Tata Steel, for example, partners with over 500 NGOs in India to implement health and education initiatives aligned with their core values.

While implementing CSR comes with significant challenges—ranging from internal alignment to external accountability—forward-thinking organizations are turning these hurdles into stepping stones. By adopting a purpose-led, data-backed, and inclusive approach, companies can create CSR models that are

¹⁸ Sarah Desiree Schaefer et al., *Employees' Positive Perceptions of Corporate Social Responsibility Create Beneficial Outcomes for Firms and Their Employees: Organizational Pride as a Mediator*, 31 Corp Soc Responsibility Env 2574 (2024).

¹⁹ Identifying unique sustainability opportunities across categories to foster trust with consumers, NIQ (Nov. 25, 2019), <https://nielseniq.com/global/en/insights/analysis/2019/identifying-unique-sustainability-opportunities-across-categories-to-foster-trust-with-consumers/> (last visited Apr 12, 2025).

not only effective but also future-ready.

CONCLUSION

In the evolving global economy, Corporate Social Responsibility (CSR) is no longer a peripheral concern but a strategic pillar for long-term business resilience and ethical leadership. As per a 2022 report by KPMG, over 96% of the world's 250 largest companies (G250) now publish CSR or sustainability reports, reflecting an increased global commitment to transparency and social impact. Yet, only 39% of these companies have fully integrated CSR into their core business strategy, highlighting a persistent gap between intention and implementation.

The positive implications of effective CSR are profound. According to Nielsen, 73% of global consumers say they would change their consumption habits to reduce environmental impact, and 66% are willing to pay more for sustainable brands. This shows that socially responsible practices not only enhance reputation but also drive consumer loyalty and market differentiation. Furthermore, Millennial and Gen Z employees, who make up over 50% of the global workforce, increasingly prefer to work for purpose-driven organizations—making CSR essential for talent acquisition and retention.

Companies such as Unilever and Infosys have proven that aligning CSR with the UN SDGs creates measurable societal and business value. Infosys, for instance, achieved carbon neutrality in 2020, contributing to SDG 13 (Climate Action), while saving millions through energy-efficient initiatives.

However, challenges such as lack of uniform metrics, “greenwashing,” and inadequate stakeholder engagement remain. Addressing these requires robust frameworks, third-party audits, and continuous dialogue with communities. CSR—when implemented authentically and strategically—has the power to reshape business purpose. Companies that view CSR not as a compliance obligation but as a growth opportunity will be better positioned to thrive in a purpose-driven, sustainability-conscious global economy.