Corporate Social Responsibility in India: Evolution, Legal Mandate, and Practice

Veena Mathur

Associate Professor

Dept. of E.A.F.M

Govt College, Kaladera

Abstract

This paper explores the origins, development, and impact of Corporate Social Responsibility (CSR) in India, with a focus on mandatory CSR under the Companies Act, 2013. It examines theoretical perspectives, implementation strategies, case studies, comparative global models, and the evolution from voluntary activity to a regulated practice. We analyze stakeholder perspectives, highlight current challenges and best practices, and provide recommendations for future CSR strategies in India.

Keywords

CSR, India, Companies Act 2013, Stakeholders, Corporate Governance, Compliance, Social Development, Environmental Responsibility

Introduction

Corporate Social Responsibility (CSR) is the commitment by companies to manage their operations ethically, taking into account their impact on economic, social, and environmental well-being. In India and globally, this concept has evolved from voluntary philanthropic activity to an integral part of strategic business operations and compliance. This research paper examines the journey, legal framework, strategic importance, and influence of CSR in India, drawing on legislation, practical cases, and critical analyses.

Historical Background and Evolution of CSR

CSR is deeply rooted in Indian tradition since the early twentieth century with industrialists such as the Tata and Birla families. Globally, multinational companies began formalizing CSR practices in the mid-20th century, incorporating community well-being as part of business methodology. In India, legal mandates were initiated with the Companies Act, 2013, effective April 2014. Under this law, companies above a given financial threshold must spend at least 2% of average net profits on social projects. This historic shift turned voluntary responsibility into legal compliance, improving accountability and transparency across sectors. The voluntary phase of CSR saw major corporations running schools, hospitals, and supporting social causes long before government intervention. The legal mandate compelled more companies, particularly in the private sector, to integrate social and environmental issues into their core decision-making and sustainability reporting.

CSR Legal Framework and Guidelines

Section 135 of the Companies Act, 2013 requires companies meeting certain thresholds (net worth over ₹500 crore, turnover over ₹1,000 crore, or net profit over ₹5 crore) to: create a CSR committee, formulate a CSR policy, undertake permitted social initiatives, and spend at least 2% of their net profit towards such initiatives. Provisions for mandatory reporting, board oversight, and public disclosure have brought greater transparency to corporate governance in India. Permitted CSR activities, listed in Schedule VII of the Act, are broad but focus primarily on eradicating hunger, education, gender equality, empowering women, ensuring environmental sustainability, protection of national heritage, and contributing to government funds for socio-economic development.

Multi-Dimensional CSR Responsibilities

CSR activities span Economic (ethical profit-making, anti-corruption, fair wages), Social (employee welfare, community development, education, health), and Environmental (resource conservation, pollution control, climate action) pillars beneath a strong ethical

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governance framework. Indian laws align with international guidelines such as the UN Global Compact and ISO 26000 while ensuring local nurturing of sustainable business cultures.

Stakeholder Impact and Participation

CSR initiatives positively impact employees through workplace safety and skill building, communities through health and education programs, customers through ethical business practices, and investors through transparency and trust. Partnerships with NGOs, governments, and civil society multiply benefits and promote grassroots empowerment.

Case Studies from Indian Corporates

Examples include Tata Group's rural health programs, Birla Group's education and heritage projects, ITC's sustainable agriculture efforts, Infosys Foundation's digital literacy drives, and IOCL's clean fuel and sanitation initiatives. These highlight how integrated, well-resourced CSR strategies foster sustainable social change.

Global Comparison and Learnings

India is unique in mandating CSR by law. In nations such as the UK and USA, CSR is driven by reputation, investor demand, or stock exchange requirements, but not direct regulation. Nonetheless, leading multinational corporations worldwide voluntarily pursue CSR because of its positive effect on reputation and market access. Comparative research shows Indian companies are increasingly adopting integrated global practices, publishing GRI-compliant reports, and collaborating on SDGs (Sustainable Development Goals).

Challenges and Criticisms of CSR Mandates in India

Despite   major   progress,   challenges   persist   –
- Some companies treat CSR as a compliance task, not as a genuine change driver.
- Projects are sometimes superficial, without strategic vision or sustainable planning.
- Monitoring, impact assessment, and documentation are often weak, especially among smaller   companies.

- Rural and remote area reach is still limited compared to urban-focused projects.

- Greenwashing or mere box-ticking persists in some sectors. Future policy may need to focus on outcome-based metrics and encourage innovation in CSR delivery.

Methodology for CSR Evaluation and Future Trends

CSR impact is measured through Board reports, audits, and third-party assessments. Best practices now call for using global standards, stakeholder interviews, and quantifiable indicators of change.

CSR in the future will likely adapt more digital tools, focus on climate adaptation, and prioritize inclusive development. Academic research is needed on outcome-oriented approaches and the use of technology (blockchain, analytics) to increase trust and transparency.

Conclusion

CSR, as legally required and ethically pursued in India, is pivotal to sustainable business and nation building. When companies move beyond compliance to innovation and authentic partnership, CSR becomes a driver of real change, benefiting both companies and society.

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