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Corporate Social Responsibility in India: A Legal Mandate Rooted in Ethical Tradition

AYUSH KUMAR GUPTA[1] AND SHAFQUAT AFROZ[2]

ABSTRACT

Corporate Social Responsibility (CSR) has emerged as a critical component of modern business practices, particularly in developing economies like India. This paper examines the evolution, implementation, and impact of CSR in India through a comprehensive legal and ethical analysis. The study traces the journey from voluntary CSR initiatives before 2013 to the mandatory framework established under the Companies Act, 2013. Through an examination of legal frameworks, case studies, and practical applications, this research analyzes the effectiveness of India's unique approach to mandating CSR spending. The paper explores the intersection of CSR with human rights, environmental concerns, and sustainable development goals, while addressing the challenges and opportunities in the current regulatory landscape. The findings suggest that while mandatory CSR has increased corporate spending on social initiatives, significant challenges remain in terms of implementation, monitoring, and achieving desired social outcomes.

Keywords: *Corporate Social Responsibility, India, Companies Act 2013, Legal Framework, Business Ethics, Sustainable Development*

I. INTRODUCTION

Corporate Social Responsibility (CSR) represents a paradigm shift in how businesses perceive their role in society, moving beyond profit maximization to encompass broader social and environmental responsibilities. In the Indian context, this concept has gained unprecedented significance following the introduction of mandatory CSR provisions under the Companies Act, 2013, making India one of the first countries to legally mandate corporate social spending. The rationale behind CSR in India stems from the recognition that businesses, as beneficiaries of societal resources and infrastructure, have an obligation to contribute to the welfare of the communities in which they operate. This philosophy aligns with traditional Indian concepts of dharma and the principle of giving back to society, making CSR not

[1] Author is a Student at Department of Law, School of Legal Studies, Babasaheb Bhimrao Ambedkar University (A Central University) Lucknow, Uttar Pradesh, India.
[2] Author is a Student at Department of Law, School of Legal Studies, Babasaheb Bhimrao Ambedkar University (A Central University) Lucknow, Uttar Pradesh, India.

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merely a legal obligation but also a cultural imperative.[3]

Corporate Social Responsibility, or CSR, is a shifting concept. People often talk about it as if it was a recent phenomenon, but in reality, its core is the ongoing effort to understand business as part of society and that is an effort that is as old as business endeavour.[4] "Despite the growing awareness and popularity of the term Corporate Social Responsibility, there is no general consensus as to what it actually means. In fact, CSR is often used interchangeably with various other terms, such as corporate philanthropy, corporate citizenship, business sustainability, business ethics and corporate governance. Although these other terms do not all mean the same thing, there is one underlying thread that connects them all-the understanding that companies have a responsibility not just towards their shareholders but also towards other stakeholders, such as 'customers, employees, executive, nonexecutive board members, investors, lenders, vendors, suppliers, governments, NGOs, local communities, environmentalists, charities, indigenous people, foundations, religious groups and cultural organizations.' All of these stakeholders are equally important to a corporation, and it should therefore strive with sincerity to fulfil the varied expectations of each.[5] Corporation does not exist in isolation.

Therefore, they should feel some level of responsibility for the community of which they are a part, and should work for the development and progress of that community and society at large. The evolution of CSR in India reflects the country's journey towards sustainable development and inclusive growth. As India grapples with challenges such as poverty, inequality, environmental degradation, and social exclusion, the role of the corporate sector in addressing these issues has become increasingly important. The mandatory CSR framework represents an innovative approach to mobilizing private sector resources for public good, though its implementation and effectiveness continue to generate significant debate among stakeholders.[6]

Corporate Social Responsibility (CSR) was incorporated into India's corporate legal system in 2014 and it is defined as a company's commitment to society and a way of giving back what it has earned. It encompasses a lot more than just charity and philanthropy. CSR is the companies' initiative to pay back to the stakeholders and the society, who contributed to the

[3] ITC-ILO, International Instruments and Corporate Social Responsibility-A Booklet to Accompany Training on Promoting labour standards through Corporate Social Responsibility 2012, (13 June 2025), http://www.ilo.org.
[4] Halina Ward & Craig Smith, Corporate Social Responsibility at a cross road: Futures for CSR in the UK to 2015, INTERNATIONAL INSTITUTION FOR ENVIRONMENT AND DEVELOPMENT 1 (2006).
[5] Aayush Kumar, Mandatory Corporate Social Responsibility: An experience Vision?, 1(3) Company Law Journal 113 (March 2013).
[6] United Nations Global Compact, (05 July, 2016), http://www.unglobalcompact.org.

growth and development of the company. CSR is not a charitable activity. It is a technique of bringing social benefits into many social and environmental elements. CSR also helps the company in brand promotion towards its customers and promotes the goodwill and growth of the public at large. CSR is defined as a company's commitment to satisfy its social duties by actively participating in improving the quality of life for its communities and stakeholders on a long-term basis. India has the longest history of corporate social responsibility in the world.[7]

This paper provides a comprehensive analysis of CSR in India, examining its legal foundation, ethical dimensions, practical implementation, and impact on various stakeholders. By analyzing the evolution from voluntary to mandatory CSR, the study aims to assess the effectiveness of India's unique regulatory approach and identify key challenges and opportunities for future development.

II. EVOLUTION OF CSR IN INDIA

A. Corporate Social Responsibility Development in India

Corporate social Responsibility is not an imported concept. Rather it is a part of India's cultural heritage. Our Vedas emphasized quality and social responsibility in terms of social distribution of wealth, animal welfare, plant life, non-pollution and poor feeding while condemned those who enjoyed wealth ignoring social needs. Bhagavat Gita Professed 'poor and needy shall be duly protected and further says,

"Datayam iti yad danam diyate nupakarine! Dese kale ca patre ca tad danam saatvikam smrtam"

- Ch. XVII, Shloka 20.

"Charity given out of duty, without expectation of return, at proper time and place, and to a worthy person is considered to be in the mode of goodness."

Thus the concept of Corporate Social Responsibility in India is not new, though the term may be. Philosophers like Kautilya from India preached and promoted ethical principles while doing business. Religion and charity have always been linked in India with business, founded on 'giving' as a good business principle.[8] The term *loksamagraha*[9] finds mention in chapter III (20) of the Gita. Business is viewed as legitimate and an integral part of society according

[7]The Balance. 2022. What Is Corporate Social Responsibility? Available at:https://www.thebalancemoney.com/corporate-social-responsibility-csr-4772443 [Accessed 16 June 2025].

[8] Pooja Srivastava & Surabhi Goyal, The pre and post legislative development of CSR in India: A case illustration of Mahindrea and Mahindra, ASIAN JOURNAL OF MANAGEMENT RESEARCH 459, Vol. 5 Issue 3, 2015.

[9] Loksamagraha means binding men and their communities together, regulating them in such a way that they acquire strength from mutual cooperation among the serving elements, including the corporate.

to Vedic philosophy but essentially it should create wealth for the society through the right means of action. 'Sarva loka hitam' in the Vedic literature referred to 'well-being of stakeholders".[10] This means an ethical and social responsibility system must be fundamental and functional in business undertakings. Vedic literature on business profoundly states by the following quote:

"May we together shield each other and may we not be envious towards each other. Wealth is essentially a tool and its continuous flow must serve the welfare of the society to achieve the common good of the society."

-(Atharva-Veda 3-24-5)[11]

In India the Vedic philosophy insist that quality of work and service needs to be achieved in the business process model for long-term sustainability, besides an equitable redistribution of wealth after having acquiring it. This core principle of Corporate Social Responsibility expounded by the Vedic literature is being reengineered in the modern business models, namely, Total Quality/Management (TQM), Business Process Reengineering and Triple bottom-line sustainability. [12] Thus, the concept of CSR has been imbibed in the society from the very beginning. It is a concept that is a part of India's cultural heritage which Mahatma Gandhi called "Trusteeship". For Gandhi ji, Trusteeship was a means of transforming the present capitalist order of society into an egalitarian one. His trusteeship model did not recognize any right of private ownership of property except what was permitted by society for its own welfare and this did not exclude legislative regulation of ownership and use of wealth. Giving corporate social responsibility the façade of trusteeship model of Gandhi ji is only a mechanism to provide legitimacy to a Western concept.[13]

B. Four Phases of Corporate Social Responsibility Development in India

Today, CSR in India has gone beyond 'charity and donations' and is approached in a more organized fashion. It has become an integral part of the corporate strategy. The development of corporate social responsibility (CSR) in India can be discussed in its four phases which run parallel to India's historical development and has resulted in different approaches towards corporate social responsibility.

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[10] Balakrishnam Muniapan and Mohan Dass, Corporate Social Responsibility: A philosophical Approach from an ancient Indian Perspective, INTERNATIONAL JOURNAL OF INDIAN CULTURE AND BUSINESS MANAGEMENT 408, Vol. 1 No. 4 (2008).
[11] Id.
[12] Id,
[13] Seema Sharma, "Corporate Social Responsibility in India-Emerging Discourse & Concerns", THE INDIAN JOURNAL OF INDUSTRIAL RELATIONS, Vol. 48 No. 4 2013 at 585-586. aw

(1) The First Phase: In the first phase charity and philanthropy were the main drivers of corporate social responsibility. Culture, religion, family values and tradition and industrialization had an influential effect on corporate social responsibility. In the pre-industrialization period which lasted till 1850, wealthy merchants shared a part of their wealth with the wider society by way of setting up temples for a religious cause. Moreover they also provide help to the society over phases of famine and epidemics by providing food from their godowns and money and thus securing an integral position in the society. 1850s onwards with the arrival of colonial rule in India the approach towards corporate social responsibility was changed. The industrial families of the 19th century such as Tata, Godrej, Bajaj, Modi, Birla, Singhania were strongly inclined towards economic as well as social considerations. However it was observed that their efforts towards social as well as industrial development were not only driven selfless and religious motives but also influenced by caste group and political objectives.[14]

(2) The Second Phase: In the second phase, during the independence movement, there was increased stress on the Indian Industrialists to demonstrate their dedication towards the progress of the society. This was when Mahatma Gandhi introduces the notion of “trusteeship”, according to which the industry leaders had to manage their wealth so as to benefit the common man. “I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no makeshift, certainly no camouflage. I am confident that it will survive all other theories.” This was Gandhi's words which highlights his argument towards his concept of “trusteeship”. Gandhi's influence put pressure on various Industrialists to act towards building the nation and its socio-economic development. According to Gandhi, Indian companies were supposed to be the ‘temple of modern India’. Under his influence businesses established trusts for schools and colleges and also helped in setting up training and scientific institutions.[15]

(3) The Third Phase: The third phase of corporate social responsibility (1960-80) had its relation to the element of ‘mixed economy’, emergence of Public Sector Undertakings (PSUs) and laws relating labour and environmental standards. During this period the private sector was forced to take a backseat. The public sector was seen as the prime mover of development. Because of the stringent legal rules and regulations surrounding the activities of the private sector, the period was described as an “era of command and control”. The policy of industrial licensing, high taxes and restrictions on the private sector led to corporate malpractices. This

[14] Dr. Mohad. Ashraf Ali & Azam Malik, Corporate Social Responsibility: An Indian Perspective, INDIAN JOURNAL OF RESEARCH 26-27, Vol. 1 Issue 9 (2012).
[15] Id.

led to enactment of legislation regarding corporate governance, labor and environmental issues. Public Sector Undertakings were set up by the state to ensure suitable distribution of resources (wealth, food etc.) to needy. However the public sector was effectively only to a certain limited extent. This led to shift of expectation from the public to the private sector and their active involvement in the socio-economic development of the country became absolutely necessary. In 1965 Indian academicians, politicians and businessmen set up a national' workshop on corporate social responsibility! aimed at reconciliation. They emphasized upon transparency, social accountability and regular stakeholder dialogues.[16]

(4) The Fourth Phase: In the fourth (1980, until the present) Indian companies started abandoning their traditional engagement with corporate social responsibility and integrated it into a sustainable business strategy. In 1990s the first initiation towards globalization and economic liberalization were undertaken. Controls and licensing system were partly done away which gave a boost to the economy the signs of which are very evident today. Increased growth momentum of the economy helped Indian companies grow rapidly and this made them more willing and able to contribute towards social cause. Globalization has transformed India into an important destination in terms of production and manufacturing bases. As Western markets are becoming more and more concerned about labor and environmental standards in the developing countries, Indian companies who export and produce goods for the developed world need to pay a close attention to compliance with the international standards. [17]

III. Legal framework in India

India's approach to Corporate Social Responsibility has evolved from a purely voluntary framework to one that incorporates mandatory elements. This makes India unique globally - while countries like Australia, Denmark, France, the Netherlands, Norway, and Sweden only require companies to report on their CSR activities, India stands alone in making both the reporting and actual expenditure on CSR compulsory. The Indian government's first official step toward formalizing CSR came in 2009 when the Ministry of Corporate Affairs released the Corporate Social Responsibility Voluntary Guidelines. Before this milestone, CSR discussions had emerged within broader corporate governance reform conversations, including the Ministry of Corporate Affairs' Task Force on Corporate Excellence report. Although this earlier report made economic arguments for CSR while emphasizing its social benefits, its recommendations remained advisory with limited concrete guidance.

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[16] Id.
[17] Id.

The 2009 Voluntary Guidelines marked a significant advancement by clearly outlining the fundamental elements that should comprise a comprehensive CSR framework. These core components encompassed stakeholder engagement, ethical business practices, protection of worker rights and well-being, human rights respect, environmental stewardship, and initiatives that foster social development and inclusivity. This progression demonstrates India's commitment to moving beyond voluntary corporate philanthropy toward a structured, legally mandated approach to corporate social responsibility that balances business interests with societal needs.

- **Key Provisions of Section 135:**

The Companies Act, 2013, particularly Section 135 and Schedule VII, established the legal foundation for mandatory CSR in India. The Act represents a landmark legislation that transformed CSR from a voluntary initiative to a legal obligation for qualifying companies.

Section 135 in The Companies Act, 2013

135. Corporate Social Responsibility.—(1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during 2[the immediately preceding financial year] shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director:

[Provided that where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.]

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(a) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company 4[in areas or subject, specified in Schedule VII];

(b) recommend the amount of expenditure to be incurred on the activities referred to in clause (a); and

(c) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

(a) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(b) ensure that the activities as are included in Corporate Social Responsibility Policy of the

company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years, 5[or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years,] in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount [and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial years].

[Provided also that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.]

[Explanation.—For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.]

[(6) Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.

[(7) If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.]

(8) The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.]

[(9) Where the amount to be spent by a company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.] [18]

- **Applicability of the section [Section 135(1) of Companies Act, 2013 and Rule 3(1) and Rule 3(2) of the Companies (CSR) Rules, 2014]**

The section applies to every company including its holding or subsidiary, and a foreign company defined under s. 2(42) of the Act having its branch office or project office in India, which fulfils anyone of the financial criteria set in s. 135(1), if such company, in any financial year has;

The CSR provisions apply to companies meeting any of the following thresholds during the immediately preceding financial year:

- Net worth of ₹500 crore or more
- Turnover of ₹1,000 crore or more
- Net profit of ₹5 crore or more

The requirement applies irrespective of the nature of activities carried on by the company. For example, companies rendering financial services or stock broking services will also need to

[18] **Section 135 in The Companies Act, 2013**

spend on CSR.

Sub-section (1) requires the company meeting the above financial criteria to constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

CSR Committee: Companies meeting the criteria must constitute a CSR Committee of the Board consisting of three or more directors, with at least one independent director.

CSR Policy: Companies must formulate a CSR policy indicating activities to be undertaken as per Schedule VII and recommend the amount to be spent on CSR activities.

Spending Requirement: Companies must spend at least 2% of their average net profits of the three immediately preceding financial years on CSR activities.

- **Meaning of Net Worth, Turnover and Net Profit.**

'Net worth' is defined under s. 2(57) and means the aggregate value of the paid up share capital and all reserves created out of profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.[19]

'Turnover' is defined under s. 2(91) means the aggregate value of realization of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year.[20]

'Net profit' shall be calculated as per provisions of s. 198 of the 2013 Act for the purposes of s. 135. "Net Profit" Profit" has been "defined in Rule 2(1) of the Companies Corporate Social Responsibility Policy), Rules, 2014 to mean the net profit of the company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following namely,

(i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise, and

(ii) any dividend received from other companies in India, which are covered under and complying with provisions of s. 135 of the 2013 Act

Provided that net profit in respect of a financial year to which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, shall not be

[19] Section 2(57) of Companies Act, 2013.
[20] Section 2(91) of Companies Act, 2013.

required to be recalculated in accordance with the provisions of the Act

Provided further that in case of a foreign company covered under these Rules, net profit means the net profit of such company as per profit and loss account prepared in terms of s. 381(1)(a) read with s. 198 of the Act.

- **Section 198 Of Companies Act, 2013**:

The proviso to Rule 3(1) of CSR Rules, 2014 states that net profit in respect of a financial year to which the relevant financial statements were prepared under Companies Act 1956, net profit shall not be required to be recomputed.[21] This means that the net profit of any financial year which was calculated as per s. 349 of the 1956 Act need not be recomputed as per s. 198 of the 2013 Act. The net profits as computed under s. 349 of the 1956 Act will be used to check if the CSR criterion is met in the three preceding financial years *i.e.* 2021-22, 2022-23 and 2023-24 in relation to CSR applicability in the year 2024-25 if any." [22]

Section 198 of the 2013 Act has the following changes as compared to s. 349 of the 1956 Act:

(i) 'No credit shall be given in the profit and loss account for any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value.'

(ii) 'No debit shall be made in the profit and loss account for any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value.'

The proviso to Rule 3(1) of CSR Rules, 2014 also states that for foreign companies, the computation of net worth, turnover and net profit shall be in accordance with s. 381(1)(a) and s. 198 of the 2013 Act.[23]

As per s. 381(1)(a) Accounts counts of a Foreign Company, requires every foreign company such to make out a balance sheet and profit and loss account in such form and containing s particulars and including or having annexed or attached thereto such documents as may be prescribed. Rule 4 of the Companies (Foreign Companies) Rules, 2014 require preparation of financial statements of Indian business operations of a foreign company in accordance with Schedule III of the 2013 Act.[24]

Thus, there seems to be a divergence in computing net profits for Indian companies and

[21] Rule 3(1) of CSR Rules, 2014
[22] Section 198 Companies Act ,2013
[23] Rule 3(1) of CSR Rules, 2014
[24] Rule 4 of the Companies (Foreign Companies) Rules, 2014

foreign companies. While the net profits of foreign companies are governed solely by s. 198, the net profit for Indian companies shall not additionally include any profit from overseas branches or dividends from specified companies

IV. CSR IN COVID-19 TIMES

Corporate Social Responsibility (CSR) has played a crucial role in the Covid-19, where businesses tried there in contribution in the health sector to cope up in this tremendous challenging time. CSR is an ‘autonomous business model’ that indicates that a company's processes of engagement with its stakeholders and the general public create a socially responsible situation. As permissible avenues for CSR expenditure, all COVID-19 activity expenses were declared on 23 March 2020. It was further stated that the money would be utilized on healthcare promotion initiatives, including preventative healthcare, healthcare and disaster management[25]. Many companies were motivated to participate in this challenging time by not only contributing funds in the NGOs funds or PM CARES FUNDS but also by contributing in the health care sector by manufacturing PPE Kits, ventilators, oxygen plants, setting up Covid centres for patients and providing essential commodities to the people.[26]

The COVID-19 pandemic has created health, economic and humanitarian disasters of historic dimensions. The economic impact of the staggered shutdown on economic activity has been catastrophic, with companies and enterprises in many sectors shutting down. Given the gravity of the situation, it is understandable that the government would welcome support from individuals and organizations. The COVID-19 epidemic has provided corporations with another chance to fulfil their corporate social responsibility (CSR) responsibilities.[27]

V. CSR VS SDGS (SUSTAINABLE DEVELOPMENT GOALS)

The integration of CSR with the UN Sustainable Development Goals (SDGs) has become increasingly important for Indian companies seeking to contribute to global sustainability efforts while addressing local development challenges.

SDG Integration: Many companies are aligning their CSR strategies with specific SDGs, such as:

- SDG 1 (No Poverty) through livelihood generation programs

[25] iica.nic.in. 2022. Available at:CSR_COVID_Publication.pdf [Accessed 12 June 2025].
[26] LLP, T., 2022. Corporate Social Responsibility | Section 135 of Companies Act, 2013. TaxGuru. Available at:https://taxguru.in/company-law/corporate-social-responsibilitysection-135-companies-act-2013.html [Accessed 12 June 2025]
[27] YourStory.com. 2022. COVID-19 & CSR: Time to step up and build an equitable society. Available at: <https://yourstory.com/socialstory/2020/09/covid-19-csr-concept significance/amp> [Accessed 12 June 2022].

- SDG 4 (Quality Education) through educational infrastructure and skill development
- SDG 5 (Gender Equality) through women empowerment initiatives
- SDG 6 (Clean Water and Sanitation) through water conservation projects
- SDG 13 (Climate Action) through environmental sustainability programs

Reporting and Measurement: Companies are increasingly adopting SDG-aligned reporting frameworks to demonstrate their contributions to global sustainability goals.

Stakeholder Expectations: Investors, customers, and other stakeholders are increasingly expecting companies to demonstrate their contributions to sustainable development through their CSR activities.

- **Challenges in SDG Integration**

The integration of Sustainable Development Goals (SDGs) into Corporate Social Responsibility (CSR) frameworks presents several significant challenges that organizations must navigate carefully. One of the primary obstacles involves measurement complexities, as aligning CSR activities with specific SDG targets demands the development and implementation of sophisticated measurement and reporting systems that can accurately track progress and impact across multiple indicators.[28] Additionally, companies face considerable difficulties in resource allocation, as they must strategically balance competing priorities among the seventeen SDGs while operating within the constraints of their allocated CSR budgets, requiring careful consideration of where investments can generate the most meaningful impact. Perhaps most critically, the successful achievement of SDG targets necessitates sustained long-term commitment from organizations, often extending well beyond typical corporate planning horizons and quarterly reporting cycles, which can create tension between short-term business pressures and the long-term nature of sustainable development objectives.[29]

VI. Challenges and Recommendations

- **Current Challenges**

The implementation of Corporate Social Responsibility (CSR) in India continues to face several significant challenges that impede its effectiveness and impact. Implementation

[28] Shayan, N.F., Mohabbati-Kalejahi, N., Alavi, S. and Zahed, M.A. (2022) 'Sustainable Development Goals (SDGs) as a Framework for Corporate Social Responsibility (CSR)', *Sustainability*, 14(3), p. 1222.

[29] Heras-Saizarbitoria, I., Urbieta, L. and Boiral, O. (2022) 'Organizations' engagement with sustainable development goals: From cherry-picking to SDG-washing?', *Corporate Social Responsibility and Environmental Management*, 29(2), pp. 316-328.

quality remains a primary concern, as while CSR spending has increased substantially, questions persist about the quality and meaningful impact of many CSR initiatives, with challenges such as unequal power dynamics, short implementation windows, and reliance on intermediaries impeding the achievement of long-term impact.[30] Many companies struggle with capacity constraints, lacking the internal expertise and organizational capability required for effective CSR program design and implementation, which affects the overall quality of their social responsibility efforts.[31] The absence of adequate monitoring and evaluation systems makes it difficult to assess the true impact of CSR activities, with calls for more transparent yearly audit reports and government monitoring of CSR expenses Coordination issues between different companies' CSR initiatives and government programs often lead to duplication of efforts and reduced overall effectiveness, creating inefficiencies in resource utilization[32]. Perhaps most concerning are the regional disparities in CSR spending, which tends to concentrate heavily in industrialized states like Maharashtra, Gujarat, Karnataka, and Tamil Nadu, with Maharashtra alone receiving over ₹5,375 crores in CSR contributions while North-Eastern states like Mizoram and remote regions receive significantly less, potentially exacerbating existing regional development imbalances.[33]

- **Recommendations for Improvement**

Based on the analysis of current challenges and international best practices, several key recommendations emerge for strengthening Corporate Social Responsibility implementation. Organizations must strengthen impact measurement by developing standardized frameworks for measuring and reporting CSR impact that align with national development priorities and international standards, ensuring transparent, data-driven approaches to sustainability strategy that enhance credibility and effectiveness of CSR reporting while utilizing robust, evidence-based approaches that negate accusations of "greenwashing".[34] Enhanced collaboration between companies, government agencies, and civil society organizations is essential to maximize CSR effectiveness, with emphasis on developing clear methodologies, utilizing

[30] Drishti IAS (2025) 'CSR: From mere compliance to impact', *Daily News Editorials*. Available at: https://www.drishtiias.com/daily-updates/daily-news-editorials/csr-from-mere-compliance-to-impact (Accessed: 19 June 2025).

[31] Gupta, A. and Singh, M. (2021) 'Capacity building for effective CSR implementation in India', *Corporate Social Responsibility and Environmental Management*, 28(4), pp. 1234-1248.

[32] Kumar, R. and Sharma, P. (2018) 'A comparative study of CSR in selected Indian public & private sector organisations in globalisation period: A research finding', *ResearchGate*. Available at: https://www.researchgate.net/publication/326076897 (Accessed: 19 June 2025).

[33] Mishra, S., Patel, K. and Jain, V. (2024) 'Opportunities and challenges for corporate social responsibility in India', *International Journal of Corporate Social Responsibility*, 9(1), pp. 1-18.

[34] European Commission (2010) 'Impact measurement and performance analysis of CSR', *CORDIS EU Research Results*. Available at: https://cordis.europa.eu/project/id/244618/reporting (Accessed: 19 June 2025).

technology, and collaborating across sectors to address gaps in knowledge and resources while engaging stakeholders in the measurement process.[35] Building corporate capacity for CSR program design, implementation, and evaluation through training and knowledge sharing initiatives remains crucial, as understanding CSR implementation is needed for both academia and industry, requiring systematic approaches to bridge the gap between scholarly research and practical application.[36] Improving transparency and accountability through more detailed reporting requirements and public disclosure of CSR activities and outcomes is fundamental, with good CSR reports needing to be detailed, transparent, and flexible to effectively communicate social and sustainability performance to stakeholders Organizations should focus on innovation by encouraging innovative approaches to CSR that can address complex social challenges more effectively, while developing mechanisms to ensure more balanced regional distribution of CSR activities and benefits to prevent concentration in already developed areas and promote inclusive development across all regions.[37]

VII. Conclusion

The journey of CSR in India from voluntary philanthropy to mandatory legal obligation represents a unique experiment in mobilizing private sector resources for social development. The legal framework established through the Companies Act, 2013, has succeeded in significantly increasing corporate spending on social initiatives, with thousands of crores now flowing annually toward education, healthcare, environmental protection, and other development priorities. However, the effectiveness of this approach continues to evolve. While the quantum of CSR spending has increased substantially, challenges remain in ensuring quality implementation, measuring impact, and achieving desired social outcomes. The integration of CSR with broader sustainability frameworks, including the SDGs, offers opportunities for more strategic and impactful corporate social responsibility.

The philosophical foundations of CSR in India, rooted in concepts of trusteeship and social responsibility, provide a strong moral framework for corporate engagement with social issues. However, translating these principles into effective action requires continued evolution of implementation approaches, monitoring systems, and stakeholder engagement mechanisms. Looking forward, the success of India's mandatory CSR framework will depend on several

[35] García-Sánchez, I.M., Rodríguez-Ariza, L., Aibar-Guzmán, B. and Aibar-Guzmán, C. (2022) 'Corporate social responsibility implementation: A review and a research agenda towards an integrative framework', *Journal of Business Ethics*, 182(2), pp. 467-497.

[36] Goodman Lantern (2025) 'Unlocking CSR success through social impact measurement', *Blog*. Available at: https://goodmanlantern.com/blog/social-impact-measurement-for-csr-outcomes/ (Accessed: 19 June 2025).

[37] Sopact (2024) 'CSR impact measurement authoritative guide', *Sopact Guides*. Available at: https://www.sopact.com/guides/csr-impact-measurement (Accessed: 19 June 2025).

factors: the ability to improve implementation quality, strengthen impact measurement and evaluation systems, enhance collaboration between different stakeholders, and maintain alignment between corporate CSR strategies and national development priorities. The experience of mandatory CSR in India offers valuable lessons for other developing countries considering similar approaches. While the mandatory framework has achieved its primary objective of increasing corporate social spending, the ongoing challenges highlight the complexity of using regulatory mechanisms to drive social change. Success requires not just compliance with spending requirements but genuine commitment to social impact and sustainable development.

As India continues to grapple with significant development challenges, the role of the corporate sector through CSR will remain crucial. The evolution of CSR from a compliance-driven activity to a strategic tool for sustainable development will determine its ultimate contribution to India's development trajectory. The legal and ethical framework established over the past decade provides a strong foundation, but realizing the full potential of CSR requires continued innovation, collaboration, and commitment from all stakeholders involved in this unique social responsibility experiment. The future of CSR in India lies in moving beyond mere compliance to creating genuine partnerships for development, leveraging corporate capabilities and resources to address complex social challenges, and contributing meaningfully to the vision of an inclusive and sustainable India. This transformation requires continued dialogue between regulators, companies, civil society, and communities to ensure that CSR evolves as an effective instrument for social change and sustainable development.

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