



## To Study of CSR Activities in India

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### Abstract

Corporate Social Responsibility (CSR) has gained significant attention globally as businesses are increasingly expected to contribute positively to society beyond their economic pursuits. In India, CSR has become a crucial aspect of corporate governance, particularly after the implementation of the Companies Act, 2013. This paper explores the trends, challenges, and opportunities surrounding CSR practices in India. Through a comprehensive review of literature and analysis of current available data, this paper aims to provide insights into the status of CSR in India and recommendations for enhancing its effectiveness. The paper also delves into the realm of CSR in India, analysing its evolution, current state, challenges, and future prospects. Through a thorough examination of literature, case studies, and statistical data it aims to provide a comprehensive understanding of CSR practices in the Indian context.

**Keywords:** Corporate Social Responsibility, CSR Practices, Indian Companies, CSR and Skill development, Skill development, spending pattern of CSR, Skill initiatives

### Introduction

In today's interconnected world, the concept of Corporate Social Responsibility (CSR) has become essential for businesses seeking to balance profit-making with societal impact. In India, where the rapid economic growth coexists with complex social and environmental challenges, CSR holds significant importance. As a diverse country with varied

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socio-economic disparities, it's very important to dwell on the social, legal, and economic dimensions to understand the complexities of CSR implementation in the country.

CSR initiatives in India address pressing societal challenges such as poverty alleviation, education, and healthcare. Companies engage in activities that directly impact communities, aiming to uplift marginalized sections of society. For instance, CSR projects may involve building schools, providing medical facilities, or supporting vocational training programs. These efforts contribute to social development and enhance the quality of life for many.

Corporate Social Responsibility (CSR) refers to “The voluntary actions undertaken by businesses to operate in an economically, socially, and environmentally sustainable manner while balancing the interests of diverse stakeholders. It encompasses activities aimed at contributing positively to society beyond legal obligations and economic objectives”.

The concept of CSR has evolved over time, transitioning from traditional philanthropy to a more strategic and integrated approach. Initially, CSR was perceived as charity or donations by businesses to fulfil social obligations. However, it has evolved into a comprehensive framework encompassing ethical business practices, environmental sustainability, community development, and stakeholder engagement.

In current scenario CSR holds immense significance for businesses, societies, and the environment. For businesses, CSR initiatives can enhance brand reputation, mitigate risks, attract investors, improve employee morale, and drive long-term profitability. From a societal perspective, CSR contributes to poverty alleviation, inclusive growth, environmental conservation, and sustainable development. Moreover, it fosters trust and collaboration between businesses and communities, leading to shared value creation.

### **History/Development of CSR**

CSR concepts began in 19th century with figures like Robert Owen and William Hesketh Lever in the United Kingdom, Cadbury brothers in England, and Jamshedji Tata in India.



In 1916, J. M. Clark supported Adam Smith's idea that the economics of responsibility in business ethics could address various issues by shifting personal responsibility to public responsibility. Subsequent works by expert thinkers explored the role of CSR in the business-society relationship, resulting in ongoing debate between the shareholders' perspective and stakeholders' perspective of CSR. Carroll, A. B. (1999) later supported Freeman's stakeholder arguments and highlighted his popular CSR pyramid, especially relevant for developing countries, by revisiting his four dimensions of CSR outlined in 1979.

In the 21st century, the focus has shifted from theoretical discussions to empirical investigations, emphasizing the stakeholder approach, triple bottom line, and business ethics.

CSR now aims to ensure public goods and improve social welfare through its trickle-down effects on society, which can be understood using the stakeholder theory framework, with mandatory contributions by corporations in CSR initiative.

## **Evolution of CSR in Indian Law**

In 1991, Indian society was not yet significantly liberalized or globalized. However, the economic reforms introduced subsequently led to substantial benefits, including enhanced access to diverse information and a plethora of perspectives. This transformation has profoundly influenced societal perceptions of CSR initiatives, which in turn impact corporate reputations. Currently, Indian society's awareness and understanding of CSR programs are transitioning from a predominantly sceptical viewpoint to a more balanced and objective perspective. Initially, CSR was a voluntary practice in India.

Studies on CSR during its voluntary phase highlighted the necessity for a legal framework to ensure effective implementation in India. In today's globalized world, only sustainable businesses can drive sustainable development.

In the era of globalization, companies are increasingly expected to do better for social causes than merely generate profit. In April 2010, Central Public Sector Enterprises CSR guidelines have been issued by Indian government. Company's brand image is substantially affected by its CSR activities; hence, reporting on them is essential. Negligible percentage of top 1000 Indian companies have been actively involved in CSR initiatives, according to an

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analysis of their CSR activity. Mandatory CSR regulations in India have enhanced economic development.

Proponents argue that corporations should broaden their responsibilities to include societal welfare, extending beyond their traditional focus on profit maximization. Conversely, opponents contend that CSR should remain a market-driven approach aimed at maximizing shareholder value.

## **Research Objectives**

The key objectives of the present review of the literature study are:

- a) To understand the mandatory corporate social responsibility provisions under the Companies Act, 2013 as amended up-to-date.
- b) To comprehend the changes in scope and spending patterns of corporate social responsibility under mandatory provisions.
- c) To identify the contribution of corporate responsibility practices to the skill development programme.
- d) To understand the prime drivers affecting the CSR-based skill programme. To grasp the impact of CSR-based skill-building programmes on firm performance.

## **Research Methodology**

The review of the literature was conducted through a literature survey on the online database using Google Scholar, academia, SSRN, JUSTOR, ResearchGate, and sci-hub using keywords like CSR and India, Mandatory CSR practices, Indian Companies Act and CSR, Section 135, skill initiatives and CSR, CSR practices. The following criteria are used to conduct current literature review.

- a) Criteria 01: Time line: literature resources published from 2018 to 2023 were considered for review.
  - b) Criteria 02: Language of Literature: Literature published in the English language is taken into account while reviewing the literature.
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- c) Criteria 03: All research resources accessible in the form of journal articles, book chapters, books, working papers, and conference proceedings are considered for systematic review of the literature

## **Review of Literature**

1. Jorge A. Arevalo and Deepa Aravind (2011) in their article “Corporate Social Responsibility Practices in India: Approach, Drivers, and Barriers” found that the Stakeholder Approach is the most approved one in the Indian situation followed by the Profit Motive for pursuing CSR. The study also states that the difficulties in the implementation of CSR are lack of resources and difficulty in understanding due to the complexity of CSR.
  2. Dd.Dipl.-Vw. Malte Kaufmann, (2012) in his article on “The Impact of Corporate Social Responsibility on Business Performance can it be measured, and if so how” covered the recent developments in the CSR and adopted Stakeholders Approach for measuring the impact of CSR on the benefits of the business. It is explored that the Corporate social responsibility has gained unprecedented importance and become imperative to any companies’ strategic decision making. Government alone will not be able to success in its endeavor to uplift society. Due to globalization liberalization and privatization corporate environment is changing, then corporate have set up separate CSR wing for sustainable growth. The corporate social responsibility Practices framework for companies and analyses the public companies CSR practices is explained in the paper.
  3. Sunanda Poduwal (2013) in the article on “Section 135 –CSR Spending Estimation –BSE top 100 companies”, he estimated the CSR amount to be spent by the Companies in the financial year 2013-14 and 2014-15 and studied as to how many companies are over spending and under spending on CSR activities. His article revealed that fourteen companies out of Top hundred companies spent more than the mandatory limit (2%) on CSR activities and concluded that year by year amount to be spent CSR activities will increase.
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## **Conceptual Framework of CSR**

The conceptual framework of Corporate Social Responsibility (CSR) revolves around the idea that businesses have responsibilities beyond mere profit-making and should actively contribute to the well-being of society. Scholars have proposed various models and theories to understand the core principles of CSR. Carroll's CSR pyramid is a widely recognized model, consisting of four interrelated components: economic, legal, ethical, and philanthropic responsibilities. According to Carroll, companies must fulfill their economic responsibilities (i.e., profitability), comply with legal requirements, follow ethical standards, and engage in philanthropic activities to enhance the quality of life in communities.

### **Evolution of CSR in India**

The evolution of CSR in India can be traced back to traditional philanthropic practices deeply ingrained in Indian culture. Historically, businesses engaged in charitable activities, such as building schools and hospitals, supporting religious institutions, and contributing to community welfare. However, the shift from voluntary CSR to a legally mandated framework occurred with the enactment of the Companies Act, 2013. This legislative intervention led to a significant increase in CSR expenditure in India and brought a more structured and accountable approach to CSR practices among companies.

### **Global CSR Practices**

CSR practices vary across the globe due to differing cultural, social, and economic contexts. In developed countries, CSR is more established and ingrained into business strategies, often guided by international frameworks like the United Nations Global Compact and ISO 26000. Companies in these regions typically focus on environmental sustainability, employee welfare, and responsible supply chain management. In contrast, emerging economies like India face unique challenges in balancing CSR with poverty alleviation, inclusive growth, and social development.

### **Theoretical Perspectives on CSR**

Various theoretical perspectives have been developed to understand the motivations and implications of CSR. One such perspective is the instrumental theory, which posits that companies engage in CSR to gain competitive advantage, improve reputation, and enhance

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stakeholder trust. Another perspective is the normative theory, emphasizing ethical obligations and the moral imperative for businesses to contribute to society. Stakeholder theory suggests that corporations should consider the interests of all stakeholders and not just shareholders while making business decisions. Integrative social contract theory advocates aligning business practices with societal expectations for sustainable development.

### **Impact Assessment of CSR Initiatives**

Evaluating the impact of CSR initiatives is a complex and multi-dimensional task. Impact assessment involves measuring the tangible and intangible outcomes of CSR projects on various stakeholders and the environment. Quantitative metrics, such as the number of beneficiaries, funds allocated, and environmental metrics, are often used to assess social and environmental impact. Qualitative methods, including case studies, interviews, and surveys, provide insights into the perceptions and experiences of stakeholders. Studies have shown that well-planned and strategically aligned CSR initiatives can lead to positive social outcomes, such as improved healthcare, education, and livelihood opportunities in communities. Additionally, CSR projects can enhance employee satisfaction, attract talent, and foster positive relationships with customers and investors. However, challenges in impact assessment include attribution of outcomes solely to CSR activities, difficulty in measuring long-term impact, and ensuring genuine inclusivity and engagement of stakeholders. The literature on CSR offers a comprehensive understanding of its conceptual framework, historical evolution, global practices, theoretical underpinnings, and impact assessment methodologies. This knowledge serves as a foundation for analyzing the trends, effectiveness, and challenges of corporate social responsibility expenditure in India, as discussed in the subsequent sections of this research paper.

### **Analysis of CSR Spending by Industries**

The implementation of the Companies Act, 2013, brought a systematic approach to CSR expenditure, and companies from various industries started actively investing in CSR initiatives. While the trends may vary from year to year, some industries consistently show higher CSR spending due to their nature of operations and engagement with communities. Industries like:

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- a) Banking and Financial Services: Financial institutions often lead in CSR spending, focusing on financial inclusion, literacy, and skill development.
- b) Information Technology (IT) and Information Technology Enabled Services (ITES): IT companies prioritize CSR initiatives related to education, digital literacy, and technological interventions for societal development.
- c) Healthcare and Pharmaceuticals: Companies in the healthcare sector concentrate on healthcare facilities, access to medicines, and disease eradication programs.
- d) Manufacturing: Manufacturing companies often focus on rural development, infrastructure, and vocational training. Industries consistently show higher CSR expenditure, other sectors are also progressively increasing their CSR allocations as they recognize the importance of contributing to social and environmental causes.

## **Conclusion**

Even though CSR has greatly changed in India since Companies Act, 2013, there remain concerns with legal compliance, transparency, and other issues. Rather than observing CSR as a mandate, companies should concentrate on incorporating it into their fundamental business processes. Regulatory frameworks, including stringent reporting under annual reports requirements and tax reforms, are essential to ensuring that CSR is impactful, transparent, and aligned with long-term societal goals, including protection of Human Rights. CSR is crucial component of modern corporate operations. Integrating ethical and sustainable practices throughout their operations, companies can create a positive impact. This extends from fostering a healthy work environment and responsible sourcing to minimizing environmental impact and giving back to communities. The benefits are multifaceted: a stronger brand reputation, increased customer loyalty, and a more engaged workforce. However, for CSR to be truly impactful, it must go beyond performative gestures. Transparency and authenticity are essential. Consumers and investors are increasingly demanding genuine efforts that align with a company's vision.

Looking ahead, CSR is likely to become even more rooted in business strategy. Stakeholder capitalism is benefiting from giving all stakeholders' needs, including those of

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employees, customers, communities, and environment, priority alongside shareholders. Companies that embrace this concept and demonstrate commitment to social responsibility will be in a strong position to draw in and maintain top talent, especially from younger generations that give equal weight to company's social effect and financial growth.

CSR will be essential for developing more sustainable and just corporate vision as a result of social and environmental issues. Continuous improvement and measurable outcomes will be essential for ensuring CSR initiatives deliver on their expected promises.

### **Recommendations**

1. Enhanced Awareness and Education among stakeholders: Companies should invest in educating their employees and stakeholders regarding significance of CSR and how to implement impactful initiatives.
2. Stronger Monitoring and Impact Evaluation of policies: To evaluate efficacy and social impact of CSR activities, efficient monitoring and evaluation systems should be established.
3. Collaboration with NGOs and Government Agencies: Companies should work with government agencies and NGOs to conduct CSR initiatives more efficiently and effectively.
4. Transparency in Reporting: Companies should ensure that their CSR activities and funds are transparently reported and monitored by independent bodies to prevent misuse.
5. By implementing these strategies, CSR has been transformed from duty based on compliance to a significant force that advances defence of fundamental human rights and general well-being of society.

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