

ISSN: 2583-8725

Lex Scripta Journal

Quarterly Online and Print Edition

Law & Policy

“Join the League of
National & International Scholars”



EDITORIAL TEAM

DR. AJAY BHUPENDRA JAISWAL

Professor & Former Head
Department of Law
V.S.S.D. College, Nawabganj,
(C.S.J.M. University, Kanpur)

DR. MEGHA OJHA

Associate Professor | Legal Consultant
| Author | KLEF College of Law

PROF. DR. DEEVANSHU SHRIVASTAVA

Founding Dean and Professor,
GL Bajaj Institute of Law,
Greater Noida

DR. GAURAV GUPTA

Assistant Professor,
Faculty of Law, Lucknow

MR. TUHIN MUKHARJEE

Leadership Strategist | Business Coach
| Author | Speaker

MR. PRAKARSH PANDEY

Author and
Advocate, Allahabad High Court

MR. AMARESH PATEL

Assistant Professor
at Law School,
Amity University, Patna



**LEX SCRIPTA MAGAZINE OF
LAW AND POLICY (VOL-4, ISSUE-1)**

Copyright © 2025, LexScripta

ISSN-2583-8725

Vol - IV, Issue - I

Published by INTEGRITY EDUCATION INDIA

New Delhi

First Floor, 4598/12-B, 1st Floor,
Padam Chand Marg, Daryaganj,
New Delhi, Delhi 110002

Phone: +91 98 11 66 62 16 (M)

Phone: +91 70 11 60 56 18 (M)

Bengaluru

Jallahalli East

Bengaluru, Karnataka. India.

Phone: +91 98 11 66 62 16 (M)

Email: publisher.integrity@gmail.com

USA

New Jersey

14 Grandview Ave, Upper Saddle River,
NJ-07458, USA

Phone: +14805226504 (M)

London

37 Degree Media

64, Hodder Drive, Perivale, London UB68LL.
United Kingdom.

Phone: +44 7950 78 18 17 (M)

Website: integrityeducation.co.in

© Lex Scripta Magazine Of Law And Policy, 2025

Disclaimer

All Copyrights are reserved with the Authors. But, however, the Authors have granted to the Journal (Lex Scripta Magazine of Law and Policy), an irrevocable, non-exclusive, royalty-free and transferable license to publish, reproduce, store, transmit, display and distribute it in the Journal or books or in any form and all other media, retrieval systems and other formats now or hereafter known. No part of this publication may be reproduced, stored, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior permission of the publisher, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

The Editorial Team of Lex Scripta Magazine of Law and Policy Issues holds the copyright to all articles contributed to this publication. The views expressed in this publication are purely personal opinions of the authors and do not necessarily reflect the views of the Editorial Team of Lex Scripta Magazine of Law and Policy.

[© Lex Scripta Magazine of Law and Policy. Any unauthorized use, circulation or reproduction shall attract suitable action under application law.]

For any Query / Feedback
Phone: +91 98 11 66 62 16 (Vineet Sharma)

Printed in India @ New Delhi

ISSN: 2583-8725

Lex Scripta Journal

Quarterly Online and Print Edition

Law & Policy

"Join the League of National
and International Scholars"



Lex Scripta Journal

A Study on Corporate Social Responsibility (CSR) In India: Issues and Challenges

Author
Dr. Champa Devi
Jasmeen Kaur



A Study on Corporate Social Responsibility (CSR) In India: Issues and Challenges

Dr. Champa Devi

*Assistant Professor, Faculty of Law.
The ICFAI University Baddi, Himachal Pradesh*

Jasmeen Kaur

*Research Scholar (LL.M),
The ICFAI University Baddi, Himachal Pradesh*

Abstract

Corporate Social Responsibility (CSR) has emerged as a central pillar of corporate governance and sustainable development, particularly in emerging economies where private sector participation plays a vital role in addressing socio-economic disparities. In the Indian context, CSR occupies a distinctive global position, as India became the first country to introduce a statutory mandate for CSR expenditure through Section 135 of the Companies Act, 2013. This pioneering legislative intervention transformed CSR from a voluntary, philanthropic practice into a structured, accountable, and regulated corporate obligation, thereby institutionalizing corporate participation in nation-building.

The mandatory CSR framework has mobilized substantial financial resources toward priority areas such as education, healthcare, environmental sustainability, gender equality, rural development, and poverty alleviation. By integrating CSR into corporate governance structures—through board-level CSR committees, disclosure requirements, and prescribed reporting standards—the law has strengthened transparency and accountability. However, despite these achievements, several operational, regulatory, strategic, and structural challenges continue to affect the overall effectiveness and equitable distribution of CSR initiatives. Issues such as compliance-driven spending, regional concentration of funds, limited impact assessment mechanisms, capacity constraints among implementing agencies, and insufficient stakeholder engagement limit the transformative potential of CSR investments.

The paper concludes with policy and managerial recommendations aimed at strengthening accountability, fostering innovation, and ensuring long-term sustainability. By moving beyond formal compliance toward meaningful social engagement, CSR in India can more effectively contribute

to inclusive growth, sustainable development, and responsible corporate citizenship.

Keywords: *Corporate Social Responsibility, CSR in India, Companies Act 2013, Sustainable Development Goals, Corporate Governance, Stakeholder Theory, ESG.*

Introduction

Corporate Social Responsibility (CSR) refers to the ethical and strategic responsibility of corporations to contribute to sustainable economic development while improving the quality of life of employees, communities, and society at large. In modern business environments, CSR has transitioned from voluntary charity to a structured corporate governance mechanism that integrates social and environmental concerns into business operations.

India occupies a unique position globally as the first nation to legally mandate CSR spending through Section 135 of the Companies Act, 2013. This provision applies to companies meeting specific financial thresholds and requires them to allocate at least 2% of their average net profits from the preceding three financial years toward CSR activities¹.

The introduction of mandatory CSR reflects the recognition that corporate entities, as major economic actors, play a crucial role in addressing developmental challenges such as poverty, unemployment, gender inequality, environmental degradation, and inadequate access to healthcare and education.

However, despite significant financial mobilization under CSR mandates, implementation challenges persist. Many companies treat CSR as a compliance requirement rather than a strategic development tool. This paper explores the evolution, framework, issues, and challenges of CSR in India and proposes measures for strengthening its effectiveness.

Conceptual Framework of CSR

CSR has been defined differently by scholars and institutions:

- The World Business Council for Sustainable Development defines CSR as the commitment of businesses to contribute to sustainable economic development.
- Carroll's Pyramid of CSR categorizes responsibilities into four layers:
 1. Economic responsibility

¹ World Business Council for Sustainable Development (WBCSD), Corporate Social Responsibility: Making Good Business Sense (WBCSD 2000).

2. Legal responsibility
3. Ethical responsibility
4. Philanthropic responsibility

Theoretical Foundations

Stakeholder Theory

Proposed by R. Edward Freeman, this theory argues that corporations must consider the interests of all stakeholders—employees, customers, suppliers, communities, and shareholders.

Legitimacy Theory

Corporations engage in CSR to maintain legitimacy and societal approval.

Triple Bottom Line Approach

Introduced by John Elkington, it emphasizes:

- Profit (Economic)
- People (Social)
- Planet (Environmental)

These theoretical perspectives justify the integration of CSR into corporate governance.

Evolution of CSR In India

Pre-Independence Era

CSR in India began with philanthropic activities by business families such as Tata, Birla, and Bajaj, who funded schools, hospitals, and temples.

Post-Independence Phase

During the mixed economy era, public sector undertakings (PSUs) undertook development-oriented activities, especially in rural areas.

Post-Liberalization Phase (1991 Onwards)

Economic reforms increased corporate expansion and global integration. CSR gradually aligned with sustainability and global reporting standards².

Post-Companies Act, 2013

The Companies Act institutionalized CSR, making it mandatory for qualifying companies. This marked a shift from voluntary philanthropy to structured accountability.

² Archie B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34(4) Business Horizons 39.

Legal And Institutional Framework

Applicability Criteria

CSR provisions apply to companies with:

- Net worth \geq ₹500 crore, or
- Turnover \geq ₹1000 crore, or
- Net profit \geq ₹5 crore

CSR COMMITTEE REQUIREMENTS

Eligible companies must:

- Constitute a CSR Committee of the Board.
- Formulate a CSR policy.
- Recommend expenditure.
- Monitor implementation.

Schedule VII Activities

Permitted CSR activities include:

- Eradicating hunger and poverty
- Promoting education and skill development
- Gender equality and women empowerment
- Environmental sustainability
- Protection of national heritage
- Rural and slum area development
- Disaster relief and healthcare

Amendments and Strengthening Provisions

Subsequent amendments introduced:

- Mandatory transfer of unspent CSR funds
- Impact assessment for large projects
- Penalties for non-compliance

CSR Expenditure Trends in India

Since 2014, CSR spending has increased significantly. Large corporations in sectors such as IT, energy, banking, and manufacturing contribute major shares³.

³ Mark C Suchman, 'Managing Legitimacy: Strategic and Institutional Approaches' (1995) 20(3) Academy of Management Review 571.

Sectoral Distribution

CSR funds are predominantly allocated to:

- Education (largest share)
- Healthcare
- Rural development
- Environmental sustainability

Geographical Distribution

CSR spending is concentrated in:

- Maharashtra
- Gujarat
- Karnataka
- Tamil Nadu

Less developed states often receive comparatively lower CSR funding, creating regional disparities.

Importance of CSR in India

Addressing developmental gaps

India faces significant socio-economic challenges. CSR supplements government efforts in:

- Education access
- Skill development
- Sanitation
- Healthcare

Environmental Sustainability

Industries contribute to environmental degradation. CSR investments in renewable energy, waste management, and water conservation mitigate environmental risks⁴.

Enhancing Corporate Reputation

CSR enhances brand image, investor confidence, and customer loyalty.

Risk Management

CSR helps mitigate operational and reputational risks, especially in environmentally sensitive industries.

⁴ R Edward Freeman, Strategic Management: A Stakeholder Approach (Pitman 1984).

Issues In CSR Implementation

Despite progress, several issues hinder effectiveness:

Compliance-Driven Orientation

Many companies focus on spending targets rather than impact, leading to superficial initiatives.

Lack Of Long-Term Vision

Short-term projects fail to produce sustainable outcomes.

Inequitable Distribution

CSR funds are concentrated near corporate headquarters rather than underserved regions.

Limited Community Participation

Insufficient engagement with local communities leads to mismatch between needs and initiatives.

Transparency And Accountability Concerns

Inadequate reporting reduces stakeholder trust.

Administrative Complexity

Regulatory requirements increase compliance burden.

Major challenges in CSR

Measuring social impact

Unlike financial metrics, social impact is difficult to quantify.

Capacity Constraints

Companies often lack trained CSR professionals.

NGO Partnership Challenges

Identifying credible implementation partners is difficult.

Balancing Profit and Responsibility

Companies face pressure to maximize shareholder returns while fulfilling social obligations.

Monitoring and Evaluation Gaps

Absence of standardized evaluation frameworks weakens accountability.

Case Study Analysis

Tata Group

Tata Group integrates CSR into its corporate philosophy. Through various trusts, it invests in education, rural development, healthcare, and livelihoods. Its model emphasizes long-term sustainability rather than mere compliance⁵.

Infosys

Infosys Foundation focuses on education, healthcare, and rural development. It demonstrates structured CSR governance and impact assessment.

These cases show how strategic CSR alignment enhances effectiveness.

CSR and sustainable development goals (SDGs)

CSR activities align with global SDGs such as:

- No Poverty
- Quality Education
- Gender Equality
- Climate Action

Indian CSR plays a complementary role in achieving these global objectives.

Recommendations

To improve CSR effectiveness:

1. Integrate CSR with core business strategy.
2. Strengthen impact assessment frameworks.
3. Encourage public-private partnerships.
4. Promote transparency through detailed disclosures.
5. Focus on underserved regions.
6. Build professional CSR management teams.
7. Encourage innovation-driven CSR solutions.
8. Adopt technology-based monitoring systems.

Future Prospects of CSR in India

Corporate Social Responsibility (CSR) in India is entering a more mature and strategic phase, shaped by regulatory evolution, global sustainability standards, investor expectations, and technological advancements. While the statutory foundation under Section 135 of the Companies Act, 2013 established compliance-driven spending, the future trajectory of CSR in

⁵ John Elkington, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Capstone 1997).

India is increasingly oriented toward measurable impact, governance integration, and long-term sustainability.

The following emerging trends are likely to define the next phase of CSR development:

1. ESG (Environmental, Social, Governance) Integration

CSR is gradually converging with Environmental, Social, and Governance (ESG) frameworks. Companies are no longer treating CSR as a standalone philanthropic activity but as part of broader sustainability and risk management strategies. Regulatory initiatives such as the Business Responsibility and Sustainability Reporting (BRSR) framework introduced by the Securities and Exchange Board of India are reinforcing this integration.

In the future, CSR initiatives will increasingly align with ESG metrics, investor disclosures, and global reporting standards. This shift will encourage companies to embed sustainability into core business operations rather than limiting social responsibility to external community projects. As global investors emphasize ESG performance, Indian corporations will adopt more structured, data-driven, and accountable CSR practices.

2. Digital Transparency and Data-Driven Reporting

Technology is transforming the monitoring and evaluation of CSR projects. The Ministry of Corporate Affairs has already introduced digital reporting mechanisms for CSR compliance, enhancing transparency and accountability.

Going forward, digital dashboards, geotagging of projects, real-time tracking of funds, and AI-based impact assessments may become standard practice. Greater public access to CSR data will improve stakeholder trust and reduce risks of fund misallocation or superficial reporting. Digital transparency will also facilitate better coordination between corporations, non-governmental organizations (NGOs), and government agencies.

3. Outcome-Based and Impact-Oriented Funding

The future of CSR in India lies in shifting from expenditure-based compliance to outcome-based funding models. Instead of focusing solely on the statutory requirement of spending two percent of average net profits, companies will increasingly prioritize measurable social outcomes and long-term impact.

Innovative financing models such as social impact bonds, blended finance, and performance-linked CSR initiatives may gain traction. This approach

will strengthen monitoring and evaluation systems, encourage professional project management, and ensure that CSR investments produce sustainable and scalable results rather than short-term outputs.

4. Climate-Focused and Sustainability Investments

Climate change and environmental degradation are becoming central global concerns. CSR in India is expected to increasingly prioritize climate resilience, renewable energy, water conservation, waste management, and biodiversity protection.

Alignment with the Sustainable Development Goals (SDGs) adopted by the United Nations will further encourage corporations to channel CSR funds toward climate action (SDG 13), clean energy (SDG 7), and sustainable communities (SDG 11)⁶. As India advances its commitments under international climate agreements, corporate participation through CSR will play a complementary role in supporting national sustainability targets.

5. Increased Stakeholder Expectations and Strategic Alignment

Stakeholders—including investors, consumers, employees, and regulators—are demanding higher standards of corporate accountability and ethical conduct. CSR is therefore evolving from peripheral philanthropy to a strategic function linked to corporate reputation, brand value, and risk mitigation.

Future CSR strategies are likely to be more participatory, involving community engagement, local needs assessments, and collaborative partnerships. Corporations may also integrate CSR goals with core business competencies, creating shared value models that generate both social impact and competitive advantage.

⁶ Securities and Exchange Board of India (SEBI), Business Responsibility and Sustainability Reporting (BRSR) Framework (2021).

Conclusion

Corporate Social Responsibility (CSR) in India represents a transformative regulatory innovation that has reshaped the relationship between business and society. Through the introduction of Section 135 of the Companies Act, 2013, India became one of the first countries in the world to mandate CSR expenditure for qualifying companies. This landmark provision has successfully mobilized substantial corporate financial resources toward social development, channeling private sector capacity into areas such as education, healthcare, environmental sustainability, rural development, and poverty alleviation. As a result, CSR has evolved from a voluntary philanthropic activity into a structured and legally recognized component of corporate governance.

However, the true effectiveness of CSR lies not merely in the quantum of funds spent, but in the quality, strategic alignment, and measurable impact of those investments. Expenditure without thoughtful planning can lead to fragmented initiatives, duplication of efforts, and limited long-term benefit. Therefore, companies must move beyond compliance-driven approaches and embrace strategic CSR that is integrated with core business values, aligned with national priorities, and responsive to community needs. Stakeholder engagement, impact assessment, transparency in reporting, and professional project implementation are essential to ensure that CSR initiatives produce sustainable and meaningful outcomes.

The transition from a compliance-oriented framework to an impact-driven model is crucial for achieving inclusive and sustainable growth. Strengthening governance mechanisms, building implementation capacity (especially among smaller companies and non-profit partners), and ensuring equitable geographical distribution of CSR funds can enhance overall effectiveness. Furthermore, aligning CSR initiatives with broader national development agendas—such as the Sustainable Development Goals (SDGs)—can amplify their contribution to long-term social transformation. In conclusion, CSR in India has laid a strong institutional foundation for corporate participation in nation-building. With improved accountability, innovation, and outcome-oriented strategies, CSR has the potential to become a powerful instrument for addressing socio-economic disparities and promoting sustainable development. If implemented thoughtfully and equitably, CSR can significantly advance India's developmental objectives while reinforcing the role of businesses as responsible and ethical contributors to society.

References

1. Companies Act, 2013 (Section 135), Government of India.
2. Ministry of Corporate Affairs (CSR Rules & Amendments).
3. Carroll, A. B. (1991). *The Pyramid of Corporate Social Responsibility*.
4. Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*.
5. Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*.
6. Research articles from *Journal of Business Ethics*, IIM publications, and Indian CSR reports.
7. Ministry of Corporate Affairs. (2021). *Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021*. Government of India.
8. Ministry of Corporate Affairs. (2014). *Companies (Corporate Social Responsibility Policy) Rules, 2014*. Government of India.
9. National Foundation for Corporate Social Responsibility. Reports and capacity-building publications on CSR implementation in India.
10. United Nations. (2015). *Transforming Our World: The 2030 Agenda for Sustainable Development*.
11. Organisation for Economic Co-operation and Development. (2011). *OECD Guidelines for Multinational Enterprises*.
12. World Business Council for Sustainable Development. (1999). *Corporate Social Responsibility: Meeting Changing Expectations*.
13. Confederation of Indian Industry. CSR reports and guidelines on corporate sustainability practices in India.
14. Securities and Exchange Board of India. (2012, revised 2021). *Business Responsibility and Sustainability Reporting (BRSR) Framework*.

EDITORIAL TEAM

PROF. (DR.) BANSHI DHAR SINGH

Professor,
Ex. Dean & Head,
Faculty of Law,
University of Lucknow

DR. KALPESHKUMAR L GUPTA

Founder ProBono India, Legal Start-ups,
Law Teachers India

DR. SUDHANSHU CHANDRA

Assistant Professor, Manuu Law
School, Maulana Azad National Urdu
University (Central University),
Hyderabad

PROF. (DR.) SANJAY SINGH

Director
of IIMT College of Law

INTERNATIONAL EDITORIAL TEAM

PROF. DR. MARC OLIVER OPRESNIK

President and CEO
Opresnik Management Consulting
and Opresnik Business School

*PROF. DR . COMRADE AMB.
CHUKWUNONSO C
HARLES OFODUM ESQ*

Chancellor, ALSA University.
Legal Director for Nigeria, World
Association for Humanitarian Doctors

ABOUT LEX SCRIPTA JOURNAL

Lex Scripta Magazine is a premier peer-reviewed online and print journal dedicated to advancing scholarly research in law, policy, and social sciences. With the vision of promoting academic excellence and fostering a culture of intellectual exchange, the magazine provides a distinguished platform for academicians, researchers, legal professionals, and students to publish their original work and contribute to contemporary legal discourse.

Each submission undergoes a rigorous double-blind review process conducted by a panel of eminent national and international professors, ensuring the highest standards of quality and academic integrity. Lex Scripta not only encourages original and innovative research but also strives to bridge the gap between theoretical insights and real-world applications in the legal domain.

Contributors and editorial members receive global recognition through certificates and publication opportunities, while readers gain access to insightful, authoritative, and thought-provoking content across diverse areas of law and policy.

Now managed by Integrity Education India, Lex Scripta Magazine is committed to expanding its academic footprint through enhanced digital presence, global collaborations, and university partnerships. Upholding its ISSN identity, Lex Scripta continues to evolve as one of India's most trusted and respected journals in the field of legal research and education.

KEY FEATURES

Scholarly Insights – Access in-depth, peer-reviewed research articles written by distinguished academicians and legal experts.

Global Perspectives – Explore diverse viewpoints on law, policy, and governance from national and international scholars.

Authentic Content – Read verified and academically sound articles that uphold the highest standards of research quality.

Knowledge Enhancement – Stay updated with emerging trends, case studies, and policy developments across multiple legal domains.

Easy Accessibility – Enjoy seamless access to online editions and exclusive hardcover issues for academic and professional use.



CONNECT WITH US **9811 666 216**
7011 605 618

