



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2025

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

CORPORATE SOCIAL RESPONSIBILITY IN INDIA: IS IT JUST A LEGAL OBLIGATION OR REAL CHANGE?

~ *Gauri Dangi*

Introduction

Corporate social responsibility is a self-regulating kind of business model that encourages a company to be socially accountable and enable social and environmental concerns into its business operations.

In simple words, it means companies giving back to the society by implementing eco-friendly ways of production, sustainable energy usage, reducing waste, etc. Besides environmental concerns, donating money or goods or organizing other social and community events.¹

Corporate social responsibility (CSR) has four main categories:

1. Environmental Responsibility:

It includes activities or efforts by the company to save resources, sustainable energy usage, prevent pollution, and adopt ways to reduce the company's carbon footprint.

2. Philanthropic Responsibility:

It refers to the company's responsibilities to perform charity work like donations, sponsoring social cause events or organize community welfare programs like skill development etc.

3. Ethical Responsibility:

It includes the company's responsibility to ensure fair labor practices, embrace diversity, fair and moral treatment towards all stakeholders, employee satisfaction etc.

¹ Schedule VII, The Companies Act, 2013.

4. Economic Responsibility:

It refers to the company's responsibility to operate profitably and generate revenue while considering long term impact of its financial decisions. It means opting for the sustainable usage of its economic resources.

The CSR strategies can differ in various organization based on the organizations' goals.

Companies are often guided by a concept known as the *Triple Bottom Line*, which dictates that a business should be committed to measuring its social and environmental impact, sustainability efforts and profits.

Corporate Social Responsibility turned from being a voluntary act to a legal obligation through the introduction of section 135 under the Companies Act 2013. The 2013 Act mandates companies with specific financial aspects to spend at least 2% of their average net profits over past three years towards CSR activities.

Through this Act, India became the first country to mandate Corporate Social Responsibility.

Corporate social responsibility is crucial as it enhances company's reputation and increases customer loyalty, while company's also play important role in social development by creating jobs, funding initiatives and adopting sustainable methods.

Legal Framework of CSR in India

Corporate Social Responsibility was introduced through section 135 of the Companies Act 2013, which mandates companies with specific financial criteria to allocate at least 2% of their average net profit from past three years on CSR activities.

The financial criteria for applicability of corporate social responsibility on companies include a net worth of Rs. 500 Crore or more, a turnover of Rs. 1000 Crore or more, or a net profit of Rs. 5 Crore or more.²

The companies must form a CSR committee and CSR policy, and report all the CSR activities conducted by the company in the Annual Board Report every year.³

² Section 135, The Companies Act, 2013.

³ The Companies (Corporate Social Responsibility Policy) Rules, 2014.

The Schedule VII of the Act lists all the CSR activities such as promoting education, healthcare, environmental sustainability and poverty eradication, etc. The companies' CSR activities must fall under the categories specified in this Schedule.

Objectives and Importance of Corporate Social Responsibility

Corporate social responsibility aims to make companies accountable for their impact on society and environment. There are various objectives of CSR including promoting environment sustainability, poverty alleviation, supporting education and healthcare, rural development, raising awareness, social welfare, fostering ethical business practices, creating opportunities, etc.⁴

Corporate social responsibility is very important for a company's reputation, increasing customer loyalty and stakeholder's engagement etc. It also helps in mitigating risks by securing stakeholders' trust and customers' loyalty through various activities such as social welfare, eco-friendly projects and sustainable methods.⁵

Examples of CSR Initiatives by Indian Companies

1. Tata Group:

Amrutdhara is a program run by Tata Group to provide low-cost, community-managed safe drinking water in areas with water scarcity.

Srishti is also a Tata initiative that provides vocational training and skill development for people with disabilities.

2. Reliance Industries:

Reliance Industries started *Drishti* program for the visually impaired. It runs digital literacy programs for women.

3. Bharat Petroleum Corporation Limited:

BPCL runs the *Integrated Cancer Care and Cure* in partnership to support cancer patients.

4. Apollo Tyres:

⁴ 'Corporate Social Responsibility: Issues Challenges and Strategies for Indian Corporates', International Journal of Creative Research Thoughts (IJCRT), By- Prof. Vishal V. Benchalli, 2 April 2018, Volume 6 Issue 2, <https://ijcrt.org/papers/IJCRT1893312.pdf>.

⁵ Supra Note- 4.

Apollo Tyres has come in support for the government's TB elimination program.

5. Adani Group:

Adani group took initiative to invest in green energy projects.

Apart from the above-mentioned projects, these companies perform various CSR activities. Many other companies also run CSR activities across India. The Government reports show a recent increase in India's CSR expenditure.⁶

Challenges in the Effective Implementation of Corporate Social Responsibility

1. Aligning CSR with business goals:

Aligning CSR activities with the business goals is a difficult task for companies. Companies often face misalignment of their CSR activities with their core business goal.

2. Limited funding and resources:

The companies have limited funding or resource allocation for their CSR activities. CSR programs need so many resources and management.

3. Lack of strategic planning:

The lack of strategic planning leads to the failure of a CSR project. The company needs to have a proper plan before implementing a CSR project.

4. Lack of clarity on CSR goals:

Many companies lack clarity before implementing a CSR project. Ensuring clarity on the goals of the CSR activities before implementation can help overcome challenges in its effectiveness.

5. Difficulty in measuring impact:

The companies face problems in measuring the impacts of its CSR activities which results in lack of effective implementation.

⁶ www.csr.gov.in.

Conclusion

The Corporate Social Responsibility has evolved from being a voluntary act to a legal obligation. India is the first country to mandate CSR. Though there has been a significant increase in the CSR spending of the companies in India, they still need to opt for more strategic and impactful CSR activities with proper planning and resource allocation for their initiatives. They need to align their CSR projects with their core business idea. There are a lot of challenges in the effective implementation of corporate social responsibility in India. Overcoming these challenges and implementing CSR with more clarity and effectiveness would enable companies to perform more impactful activities and bring real change in the society.