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THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY (CSR) IN MODERN BUSINESS

~ *Delina Sharma*

Corporate Social Responsibility (CSR) is no longer merely a collection of sincere charitable deeds or a footnote in an annual report¹ & has altered greatly in the face of current unheard-of global issues, like the speed of climate change, the loss of assets more quickly than it can be reestablished, and the persistence of social disparities. It evolved from a "nice-to-have" to a vital advantage, closely linked to the long-term profitability, sustainability, and access to funding of a business.²

The global economy is going through an enormous shift. Institutional titans and individual investors, like 95% of Millennials, are now just concerned with quarterly profits, according to surveys. They look into a company's ecological impact, how it treats its workers and communities, and how effectively it controls its governance—all of which are commonly referred to as ESG (Environmental, Social, Governance) factors.³ Why? Due to their understanding that long-term risk management and value development are inseparably linked to ESG performance. The facts are amazing: in 2022, global ESG assets grew by 55% to \$43.8 trillion.

¹ See Ministry of Corporate Affairs, Govt. of India, National Guidelines on Responsible Business Conduct (2019), <https://www.mca.gov.in>.

² See Global Sustainable Investment Alliance, 2022 Trends Report (2022), <https://www.gsi-alliance.org/trends-report-2022/>.

³ See David Hunter et al., International Environmental Law and Policy 555 (3d ed. 2006).

The regulating catalyst has been the country's brave legal attempts to foster corporate social responsibility. The traditional Companies Act of 2013 altered anything.⁴ Under Section 135, qualifying businesses are required to invest a minimum of 2% of their average net revenue over the previous three years in corporate social responsibility (CSR) efforts, irrespective of their profit, shifts, or net worth limits. As a result, CSR evolved from a solely voluntary activity to a compliance order requiring thorough reporting. Additionally, Section 166 made it obvious that directors are under an obligation to behave in the best interests of the company, its shareholders, and the community and environment.

ESG is an outcome measurement and investment structure. In order to evaluate a company's sustainability risks⁵, opportunities, and general resiliency, it provides investors and stakeholders with quantifiable data, or at least seeks to. Evaluation of impact is crucial. The activities and projects a business requires to address socio-environmental issues and relate to stakeholders have the main focus of corporate social responsibility (CSR), particularly as stated in Section 135 in India. It's about causing a difference through aimed initiatives, plans, and financial investments in areas like rural development, healthcare, education, and the environment. Think about CSR to be the force beneath the "Social" (S) aspect of ESG and an important contributor to the "Environmental" (E) pillar.

This global change appears in India's strategy for formalizing corporate responsibility: Beginning the process with the "Voluntary Guidelines on Corporate Social Responsibility" (2009)⁶, the Ministry of Corporate Affairs (MCA) eventually created the "National Voluntary Guidelines" (NVG) in 2011, which highlighted social, environmental, and economic responsibilities (later updated as NGRBC).

CONNECTING CSR TO BROADER ESG: primarily on the NVG principles, SEBI established the Business Responsibility Report (BRR) for listed companies in 2012 after realizing the

⁴ The Companies Act, No. 18 of 2013, § 135, India Code (2013).

⁵ See ESG Reporting Guide, Bombay Stock Exchange (2020), <https://www.bseindia.com/static/about/esg.aspx>.

⁶ Ministry of Corporate Affairs, Govt. of India, Voluntary Guidelines on CSR (2009), <https://www.mca.gov.in>.

importance of transparency. This defined the beginning of regulated non-financial reporting, which was gradually widened. The much more thorough Business Responsibility and Sustainability Report (BRSR) took the place of the BRR in 2021⁷.

BEYOND CSR EXPENDITURE: The Problem of Greenwashing The risk of "greenwashing," or making false or unsupported claims about environmental or social performance, increased along with the prominence of ESG and CSR. In 2024, India issued particular "Guidelines for Prevention and Regulation of Greenwashing⁸" in response.

CSR serves an intricate and crucial strategic role in contemporary Indian business.

RISK MITIGATION: Functioning, regulatory, and reputational risks are mitigated by proactive CSR, which tackles social and environmental issues (such as community health, skill development, waste management, and water stewardship). Disputes, boycotts, fines (under laws like the Environment Protection Act of 1986⁹), and the loss of a business's social license may occur from ignoring these issues.

REPUTATION AND BRAND EQUITY: Honest, efficient CSR boosts community, employee, and consumer trust and strengthens brand reputation. This is an invaluable intangible asset in a time of growing social consciousness. On the contrary, greenwashing or tokenistic CSR may severely damage a company's reputation.

INVESTOR CONFIDENCE AND CAPITAL ACCESS: Solid ESG management is made known to investors via strong CSR performance, which is publicly disclosed in the BRSR. This is essential for acquiring better financing terms and taking in the \$43.8 trillion global pool of ESG-focused capital.

⁷ Securities and Exchange Board of India (SEBI), Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (May 10, 2021).

⁸ SEBI, Guidelines for Prevention and Regulation of Greenwashing (2024), <https://www.sebi.gov.in>

⁹ The Environment (Protection) Act, No. 29 of 1986, India Code.

IN SPITE OF NOTABLE ADVANCEMENTS, OBSTACLES PERSIST IN THE WAY OF INDIA'S FULL STRATEGIC POTENTIAL FOR CSR:

BEYOND EXPENDITURE, ASSESS IMPACT: Conformity with CSR expenditures remains a common focus. As a way to fulfill the demand for identifiable ESG data, the real shift that is required is toward determining and reporting the obvious social and environmental results of these initiatives.

FIGHTING GREENWASHING: To safeguard confidence and ensure that CSR claims are confirmed and backed, dedication to the 2024 rules is vital.

SME INTEGRATION: While it comes to implementing structured CSR and ESG reporting, small and medium-sized businesses (SMEs) come across limitations in terms of resources and expertise. Support systems, capacity building, and reduced frameworks are vital¹⁰.

In conclusion, CSR is vital for enduring achievement.

In the current Indian business, corporate social responsibility (CSR) has grown beyond charity. It serves as a strategic tool to build businesses that are dependable, powerful, and ready for the future. CSR is crucial for creating lasting value and is supported by strict laws such as the Companies Act 2013, resilient global investor trends, and integration into larger ESG reports like SEBI's BRSR. Businesses that go above simple compliance will prosper by incorporating genuine social and environmental responsibility into their primary operations plan, closely monitoring their effects, and freely disclosing them. Presently, becoming good is not just morally right, but also essential to victory.

¹⁰ Ministry of Corporate Affairs, Report of the High Level Committee on CSR (2019), <https://www.mca.gov.in>.