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CORPORATE SOCIAL RESPONSIBILITY IN INDIA

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ABSTRACT

This blog explores Corporate Social Responsibility (CSR) in India, examining its legal foundation under Section 135 of the Companies Act, 2013, which mandates a 2% profit spend for qualifying companies. It covers CSR's classification into environmental, ethical, philanthropic, and economic responsibility, along with permitted activities under Schedule VII. The discussion highlights real-world examples, business benefits, and persistent challenges such as impact measurement, greenwashing, and inconsistent transparency.

INTRODUCTION

According to UNESCO, India's mandatory CSR (Corporate Social Responsibility) initiative, established by the Companies Act of 2013, requires companies of a certain size to spend at least 2% of their average net profits from the previous three years on CSR activities. This pioneering legislation aims to leverage corporate resources and skills to address India's development challenges. Companies can implement CSR activities directly or through third-party agencies, focusing on 12 approved categories including education, health, and rural development.

Corporate Social Responsibility (CSR) refers to the responsibility of companies toward society and the environment. It means that businesses should not only focus on earning profits but should also contribute to social welfare, environmental protection, and sustainable development. CSR helps companies build trust, improve their image, and create a positive impact on society.
India is one of the first countries in the world to make CSR legally mandatory for certain companies through the Section 135 of the Companies Act, 2013.

TYPES OF CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility initiatives are generally classified into the following types:

1. Environmental responsibility: Sustainability, climate action, waste management, and conservation
2. Ethical responsibility: Fair business practices, transparency, and governance

3. Philanthropic responsibility: Donations, education, healthcare, and community welfare
4. Economic responsibility: Long-term value creation while supporting social objectives

WHY IS CORPORATE SOCIAL RESPONSIBILITY IMPORTANT?

Corporate social responsibility plays a critical role in balancing profit-making with social accountability. It ensures that businesses contribute positively to society while pursuing economic goals.

BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is an immense term that is used to explain the efforts of a company in order to improve society in a significant manner. Below are the benefits of CSR for a business:

- Reduces compliance risks and helps prevent penalties.
- Improves corporate image and goodwill.
- Boosts employee morale, engagement, and retention.
- Increases customer loyalty and retention.
- Attracts socially conscious investors and partners.
- Provides a competitive advantage in the market.
- Supports risk management and regulatory compliance.
- Creates new market and business opportunities.
- Builds long-term value and business resilience

LIST OF PERMITTED CSR ACTIVITIES UNDER SCHEDULE VII

The Board of Directors shall ensure that the activities included by a company in its CSR Policy fall within the purview of the activities included is schedule VII of the Act. The activities specified in Schedule VII which may be included by companies in their Corporate Social Responsibility Policies are as follows:

1 Eradicating poverty, hunger and malnutrition, promoting health care which includes sanitation and preventive health care, contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.

2 Improvement in education which includes special education and employment strengthening vocation skills among children, women, elderly and the differently-abled and livelihood enhancement projects.

3 Improving gender equality, setting up homes and hostels for women and orphans, empowering women, setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

4 Safeguarding environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining a quality of soil, air and water which also includes a contribution for rejuvenation of river Ganga.

5 Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.
6 Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows.
7 Training to stimulate rural sports, nationally recognized sports, Paralympic sports and Olympic sports.
8 Contribution to the Prime Minister’s National Relief Fund, Prime Minister's Central Assistance and Relief in Emergency Situations Fund (PM CARES Fund) or any other fund set up by the Central Government for socio-economic development providing relief and welfare of the Scheduled Castes, the Scheduled and backward classes, other backward classes, minorities and women.
9 Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government, State Government, Public Sector Undertaking or any agency of the Central Government or State Government.
10 Contributions to public funded Universities, IITs, National Laboratories and autonomous bodies established under DAE, DBT, DST, Department of Pharmaceuticals, Ministry of AYUSH, Ministry of Electronics and Information Technology and other bodies, namely DRDO, ICAR, ICMR and CSIR, engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).

EXAMPLES OF CORPORATE SOCIAL RESPONSIBILITY

In FY 2023-2024, 27,188 companies contributed to CSR through 59,633 projects, spending around ₹34,908.75 crores in 14 development sectors, as per the National CSR portal.

The top 5 companies undertaking CSR activities and projects in India for FY24 include:

1. HDFC Bank Limited
2. Reliance Industries Limited
3. Tata Consultancy Services Limited
4. ONGC Limited
5. Tata Steel Limited

Hero MotoCorp: Spent ₹80.54 crores, impacting the lives of more than 8.47 lakh people in India. Its top CSR initiatives focus on road safety programs, sports, honoring Indian Army veterans, healthcare, education, skill development, and protecting biodiversity.
ACC Limited: Spent ₹42 crores, benefiting 7.38 lakh people across 15 Indian states. Its top CSR activities focus on healthcare, TB eradication, rural development, education, skill development and women empowerment.

Every company which needs to comply with the CSR provisions have to spend 2% of the average net profits made during the preceding three years as per the CSR policy. The computation of net profit for CSR is as per Section 198 of the Companies Act, 2013.

Section 198 provides that while computing the net profits of a company, a credit should be given for the subsidies and bounties received from any government or public authority constituted or authorized on this behalf.

CORPORATE SOCIAL RESPONSIBILITY: CHALLENGES

Corporate Social Responsibility faces many challenges in India, such as measuring long-term impact, lack of standardized frameworks, and ensuring transparency to avoid greenwashing. Companies frequently struggle to align CSR with core business strategies, secure local community engagement, and manage limited resources or skills, often treating initiatives as superficial branding rather than meaningful action. Many companies struggle with disclosing accurate information, leading to public skepticism and distrust.

CONCLUSION

In a nutshell, Corporate Social Responsibility (CSR) is no longer just a corporate obligation—it is a powerful way for businesses to create meaningful social impact while building trust and long-term sustainability. By investing in communities, protecting the environment, and promoting ethical practices, companies can contribute to a more inclusive and responsible future. Ultimately, effective CSR initiatives benefit not only society but also strengthen a company's reputation, employee engagement, and overall growth.