

# The Evolution of Corporate Social Responsibility (CSR) in India

**Khushpreet Singh and Mr. Raj Kumar**

Department of Commerce and Management, Guru Kashi University, Talwandi Sabo, India

Assistant Professor, Guru Kashi University, Talwandi Sabo, India

**Abstract:** *Corporate Social Responsibility (CSR) has emerged as an important concept in the modern business environment, emphasizing the responsibility of companies toward society, the environment, and sustainable development. The evolution of CSR in India has undergone significant transformation from traditional philanthropy to a more structured and legally regulated business practice. In the early stages, CSR activities in India were mainly based on charity and donations carried out by business families and industrialists for social welfare purposes. Over time, globalization, industrial growth, rising social awareness, and stakeholder expectations encouraged companies to adopt broader social and environmental responsibilities. The present study examines the historical development and evolution of CSR in India and analyzes its growing importance in the corporate sector. The study highlights different phases of CSR development, including the philanthropic phase, the social development phase, the stakeholder approach, and the modern strategic CSR approach. Special emphasis has been given to the Companies Act, 2013, which made India one of the first countries in the world to legally mandate CSR spending for eligible companies. Under this law, certain companies are required to spend at least 2% of their average net profits on CSR activities related to education, healthcare, environmental sustainability, rural development, women empowerment, and other social causes. The study also discusses the role of leading Indian companies in implementing CSR initiatives and contributing toward sustainable development goals. Furthermore, it identifies major challenges faced in CSR implementation such as lack of awareness, transparency issues, inadequate monitoring, and improper utilization of funds..*

**Keywords:** CSR, Business Economy, Employee, Organisations

## I. INTRODUCTION

The evolution of Corporate Social Responsibility (CSR) in India represents a global benchmark in legislative intervention for social good. While CSR was traditionally viewed as an extension of "Philanthropy" or "Dharma" by India's oldest business houses, the Companies Act of 2013 fundamentally transformed this landscape. By moving from a voluntary framework to a mandatory compliance-based model under Section 135, the Indian government integrated the private sector into the country's larger developmental agenda. Corporate Social Responsibility (CSR) has evolved from being a private guideline to a standard practice in advanced countries. CSR involves the contributions made by corporations toward their immediate community, which can be done through various means such as providing water, road construction, and other beneficial activities. The concept and practices of CSR have become progressively entrenched and are currently gaining significant momentum from corporate managers, governments, and scholars. This is evidenced by the rising number of scholarly works on the theories and practical features of CSR and the expanding number of companies embracing CSR in their policies. CSR is having been evolving in most developing and emerging countries due to various factors. First, CSR enables economic growth and market opportunities are generated, enabling developing countries to become fast-expanding economies. Consequently, the countries involved become attractive growth markets for corporations, offering lucrative prospects. Over the last two decades, CSR activities have become increasingly crucial in shaping the public perception of corporations in the modern business scene. Nigeria, being one of the most populated nations in Africa, is not exempt from this situation. Nigeria is such a blessed nation with diverse



natural endowments ranging from oil to steel, arable lands capable of growing commercial crops, and, above all, an abundance of human resources that the country now boasts the largest population in Africa. Unfortunately, ever since the independence and the discovery of oil in Nigeria, a monolithic economy has become one that relies heavily on oil for national survival. Consequently, the national economic growth has since become heavily dependent on oil production and price rates.

### **The Legal Framework and Eligibility**

The mandate is triggered by specific financial milestones. A company is obligated to comply if, during the immediately preceding financial year, it achieves a net worth of ₹500 crore, a turnover of ₹1,000 crore, or a net profit of ₹5 crore. Once eligible, the law dictates that the entity must spend 2% of its average net profits made during the three preceding financial years on CSR initiatives. This "2% rule" applies not only to Indian public and private limited companies but also to foreign companies with project offices or branches in India.

### **Governance and Strategic Oversight**

To prevent CSR from becoming a mere accounting exercise, the Act mandates a robust governance structure. Companies must form a CSR Committee consisting of at least three directors, including at least one independent director. This committee is responsible for formulating the CSR policy, recommending the expenditure amount, and monitoring the implementation of projects. The Board of Directors holds ultimate accountability; they must ensure the funds are spent and, more importantly, disclose the details of the CSR policy and its execution in the annual Board Report and on the company's website.

### **Areas of Impact: Schedule VII**

The government directs these massive capital flows toward specific socio-economic gaps defined in Schedule VII. These categories are broad enough to allow innovation but specific enough to target national priorities:

**Healthcare and Sanitation:** Combating diseases, promoting preventive healthcare, and contributing to the *Swachh Bharat Mission*.

**Education and Livelihoods:** Enhancing vocational skills, supporting special education, and bridging the digital divide in rural areas.

**Environmental Sustainability:** Protecting biodiversity, promoting renewable energy, and maintaining the ecological balance.

**National Heritage:** Protecting Indian art, culture, and public libraries.

**Support Systems:** Contributions to the Prime Minister's National Relief Fund or any other fund set up by the central government for socio-economic development and relief.

### **Compliance, Auditing, and Penalties**

In recent years, the Ministry of Corporate Affairs (MCA) has shifted from a "comply or explain" approach to a "comply or be penalized" stance. Since the 2020 and 2021 amendments, CSR spending has become an audit-heavy requirement. If a company fails to spend the required amount, it must explain the reasons in its board report and, unless the unspent amount relates to an "ongoing project," transfer the funds to a government-specified fund within six months of the financial year's end. For "ongoing projects," the money must be moved to a special Unspent CSR Account and spent within three years. Failure to follow these rules invites severe penalties: the company may be fined up to ₹1 crore, while every defaulting officer can be fined up to ₹2 lakh. Furthermore, for large-scale spends (exceeding ₹10 crore), companies are now required to conduct Impact Assessment studies through independent agencies to prove that the money spent actually resulted in tangible social change. By 2026, CSR in India has matured into a sophisticated ecosystem involving corporations, NGOs, and specialized consultants. While challenges such as geographic concentration where most funds flow to industrialized states remain, the framework has successfully diverted billions



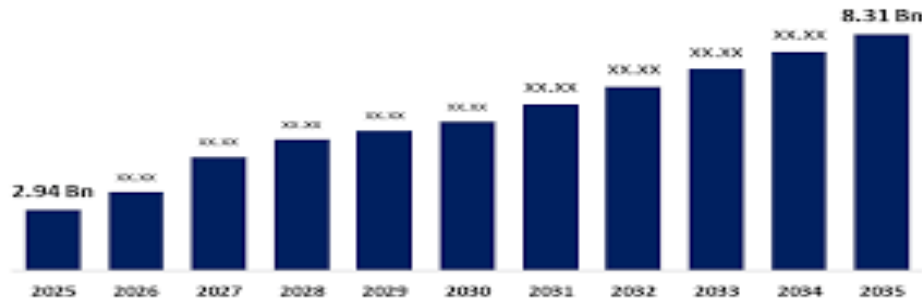
of dollars into the social sector. It has forced the corporate world to look beyond "shareholder primacy" and acknowledge its role as a stakeholder in the nation's collective future, effectively blending the profit-motive with a social conscience.

### **CSR practices in developing countries**

Corporate Social Responsibility (CSR) practices in developing countries have gained increasing importance as businesses are expected to play a broader role in addressing social, economic, and environmental challenges. CSR in these nations extends beyond profit-making and compliance with legal frameworks; it involves active participation in improving the quality of life of employees, local communities, and society at large. In developing economies such as India, Nigeria, Brazil, and South Africa, CSR has evolved in response to pressing issues like poverty, unemployment, inequality, environmental degradation, and weak governance structures. One of the defining characteristics of CSR in developing countries is its strong focus on community development. Unlike developed economies where CSR often emphasizes sustainability reporting and stakeholder engagement, companies in developing nations prioritize basic developmental needs such as education, healthcare, sanitation, and infrastructure. Multinational corporations and large domestic firms frequently invest in building schools, hospitals, roads, and clean water systems in underdeveloped regions. For instance, in rural areas of India, CSR initiatives have significantly contributed to improving literacy rates and access to healthcare services. Similarly, in Nigeria, CSR efforts in oil-producing regions focus on community welfare to mitigate the negative impacts of industrial activities. Another important aspect of CSR in developing countries is its role in environmental protection. Industrialization and economic growth often come at the cost of environmental sustainability, leading to pollution, deforestation, and depletion of natural resources. CSR initiatives aim to address these challenges by promoting sustainable practices such as waste management, renewable energy adoption, and conservation of biodiversity. Companies operating in environmentally sensitive regions are increasingly expected to minimize their ecological footprint and take responsibility for environmental restoration. In countries like Brazil, CSR programs often focus on preserving rainforests and supporting sustainable agriculture, while in South Africa, mining companies are encouraged to rehabilitate land and reduce environmental damage. CSR in developing countries is also closely linked to poverty alleviation and economic empowerment. Businesses contribute to job creation, skill development, and entrepreneurship promotion, which are critical for reducing poverty and improving living standards. Many companies implement training programs to enhance the employability of local populations and support small and medium enterprises (SMEs) through funding and mentorship. Microfinance initiatives and financial inclusion programs have also become an integral part of CSR strategies, particularly in regions where access to banking services is limited. These efforts not only benefit communities but also create a more stable and productive economic environment for businesses. Despite its positive contributions, CSR in developing countries faces several challenges. One major issue is the lack of strong regulatory frameworks and enforcement mechanisms. In many developing nations, CSR is largely voluntary, and there are limited legal requirements for companies to disclose or implement CSR activities. This often leads to inconsistent practices and, in some cases, superficial or symbolic CSR efforts aimed primarily at enhancing corporate image rather than creating meaningful impact. Additionally, corruption and weak governance can hinder the effective implementation of CSR initiatives, reducing their overall effectiveness.



**Global Corporate Social Responsibility (CSR)  
Software Market Size**



Another challenge is the limited awareness and understanding of CSR among stakeholders. In many developing countries, businesses and communities may lack a clear understanding of CSR principles and their long-term benefits. As a result, CSR activities are sometimes viewed as philanthropic gestures rather than strategic investments in sustainable development. Furthermore, there is often inadequate stakeholder engagement, with companies failing to involve local communities in decision-making processes. This can lead to a mismatch between corporate initiatives and community needs, reducing the effectiveness of CSR programs. The role of multinational corporations (MNCs) is particularly significant in shaping CSR practices in developing countries. These companies often bring global standards and best practices, influenced by international frameworks such as the United Nations Global Compact and the Sustainable Development Goals (SDGs). MNCs are more likely to adopt structured CSR strategies, sustainability reporting, and impact assessment mechanisms.

**Global perspective of CSR**

Corporate Social Responsibility (CSR) has evolved into a global business norm, reflecting the growing expectation that corporations should contribute not only to economic development but also to social welfare and environmental sustainability. Across the world, CSR is no longer viewed as a voluntary or peripheral activity; instead, it has become an integral part of corporate strategy, governance, and stakeholder engagement. The global perspective of CSR highlights how different regions adopt and implement responsible business practices based on their economic, cultural, and regulatory environments, while still aligning with universal principles of sustainability and ethics. At the international level, CSR is strongly influenced by global frameworks and institutions. Organizations such as the United Nations Global Compact play a crucial role in shaping CSR practices by promoting principles related to human rights, labor standards, environmental protection, and anti-corruption. Similarly, the International Organization for Standardization introduced ISO 26000, which provides comprehensive guidance on social responsibility. These frameworks encourage companies worldwide to adopt standardized CSR practices, ensuring consistency and comparability across countries. In developed economies such as United States and United Kingdom, CSR is often integrated into corporate governance and reporting systems. Companies in these regions emphasize sustainability reporting, ethical business practices, and stakeholder engagement. Regulatory mechanisms and investor pressures have pushed firms to disclose their environmental, social, and governance (ESG) performance. CSR in these countries is closely linked with innovation, climate change mitigation, and responsible supply chain management. In contrast, CSR in developing countries like India, Nigeria, and Brazil tends to focus more on socio-economic development. Companies often address issues such as poverty alleviation, education, healthcare, and infrastructure development. In these regions, CSR fills the gaps left by weak public institutions and limited government resources. For example, in India, CSR has been institutionalized through legal mandates requiring certain companies to allocate a portion of their profits to social initiatives, reflecting a more structured approach to corporate responsibility.



**Macro Spending Trends (FY 2015 – FY 2025)**

Data from the National CSR Portal and recent 2026 intelligence reports show that annual spending has consistently broken records, moving from a "plateau" phase into a high-growth trajectory.

Financial Year	Actual CSR Spend (₹ Crore)	Growth Note
FY 2014-15	~10,064	Initial Take-off Year
FY 2021-22	27,141	Post-pandemic Stabilization
FY 2022-23	30,932	14% Annual Growth
FY 2023-24	34,909	Reaching the ₹35k Cr Milestone
FY 2024-25	~36,395	All-time High (Est.)

Expanding on the current landscape for 2026, the Corporate Social Responsibility (CSR) sector in India has reached a point of "Institutional Maturity." No longer a simple 2% tax-like obligation, it has evolved into a strategic pillar for corporate governance and ESG (Environmental, Social, and Governance) integration.

Company	Estimated Annual Spend (₹ Crore)	Primary Focus Areas
Reliance Industries	₹2,156+	Rural Transformation, Healthcare, Education (Reliance Foundation)
TCS	₹1,038+	Digital Literacy, Skilling, Rural Livelihoods
Infosys	₹400 - ₹500	Poverty Alleviation, Education, Cultural Heritage
Adani Group	₹539	Disaster Response, Infrastructure, Community Health
HCL Tech	₹300 - ₹400	Biodiversity, Water Stewardship, Education

**Sectoral & Geographic Distribution**

The concentration of funds remains a key characteristic of the Indian CSR model, though new policies are attempting to decentralize this growth.

Top 3 Sectors (60%+ of total funds):

**Education:** Remains the leader (approx. 25-29%), with a massive focus on digital literacy and rural school infrastructure.

**Healthcare:** Received a permanent boost post-COVID (approx. 18-22%).

**Environment:** The fastest-growing "new priority" due to ESG (Environmental, Social, and Governance) integration.

**The "CSR Desert" vs. "Powerhouses":**

**Maharashtra** continues to be the largest recipient, capturing nearly 48% of total funds due to the high density of corporate headquarters.

States like Bihar, Jharkhand, and Uttar Pradesh are identified as "CSR Deserts" areas with the highest developmental needs but the lowest fund allocation.

**Emerging Trends in 2026**

Recent amendments and state-level shifts are reshaping how this growth is managed:

**Localism (The Karnataka Model):** In 2026, Karnataka unveiled a revolutionary policy requiring companies operating in the state to prioritize spending their CSR funds locally, specifically for rural school infrastructure.

**ESG Convergence:** CSR is no longer a standalone department; it is being merged into broader ESG frameworks to meet SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandates.



**Impact over Outlay:** The focus has shifted from "amount spent" to "independent impact assessment." Companies with a CSR obligation of ₹10 crore or more are now strictly audited on the long-term outcomes of their projects.

**Professionalization:** Over 76% of corporates now prefer working through specialized implementing agencies (NGOs) rather than direct execution, leading to a more professionalized social sector.

## II. CONCLUSION

Corporate Social Responsibility in India has matured from a philanthropic tradition into a sophisticated, legally-driven engine for national development. By institutionalizing the "2% rule" under the Companies Act of 2013, India has successfully bridged the gap between corporate profitability and socio-economic equity, funneled billions into critical sectors like education and healthcare, and forced a shift toward transparent, impact-oriented governance. While geographic concentration and the professional capacity of implementing partners remain ongoing challenges, the integration of CSR with global ESG standards is ensuring that Indian businesses are no longer just economic entities, but pivotal stakeholders in achieving the nation's Sustainable Development Goals. As the landscape moves toward a future defined by high-tech impact assessment and localized development, CSR stands as a testament to the power of "Patient Capital" in creating a more inclusive and resilient economy.

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