ISSN: 2395-7852

International Journal of Advanced Research in Arts, Science, Engineering & Management

Volume 12, Issue 3, May - June 2025

INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 8.028

International Journal of Advanced Research in Arts, Science, Engineering & Management (IJARASEM)

| ISSN: 2395-7852 | www.ijarasem.com | Impact Factor: 8.028 | Bimonthly, Peer Reviewed & Referred Journal|

| Volume 12, Issue 3, May - June 2025 |

An Analysis of Corporate Social Responsibility: Impact on the Indian Society

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ABSTRACT: Businesses have been central to fostering industrial advancement and molding the economic framework. In India, the pace of industrialization accelerated notably after the launch of the Second Five-Year Plan (1956–1961), which marked a significant shift in the country's economic development. While this industrial growth transformed the business ecosystem, early industrial efforts primarily focused on profit maximization. Although some enterprises engaged in philanthropic activities—such as establishing charitable trusts and social service foundations—these initiatives were largely voluntary and altruistic in nature. Corporate perspectives have gradually evolved from informal, profit-driven philanthropy to a more organized and strategic engagement in social responsibility, shaped by the adoption of the Corporate Social Responsibility (CSR) framework. In 2009, the **Ministry of Corporate Affairs** launched the Voluntary Guidelines on CSR, laying the groundwork for promoting ethical and responsible business conduct. These guidelines were subsequently broadened and formalized in 2011 as the National Voluntary Guidelines on the Social, Environmental, and Economic Responsibilities of Business. This progression emphasized the integration of social, environmental and human development goals into business strategies. Subsequently, CSR became a statutory requirement under **Section 135 of the Companies Act, 2013**, which mandates qualifying companies to invest a portion of their profits into socially beneficial activities. In accordance with the Companies Act, 2013, any organization that meets at least one of the following financial thresholds — a net worth of ₹500 crore or more, an annual turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during any financial year — is required to allocate a minimum of 2% of its average net profits from the preceding three financial years toward Corporate Social Responsibility (CSR) initiatives.

KEYWORDS: Business Ethics, Corporate Social Responsibility (CSR), Sustainable Development Goals, Ministry of Corporate Affairs, Companies Act 2013.

I. INTRODUCTION

The survival of any business is inherently dependent on the society in which it operates. Businesses exist within a social framework and the circular flow of income is sustained when consumers purchase goods and services using income earned through employment and other opportunities created by businesses. The profit earned by a business—derived from the difference between production costs and revenue—forms its primary income source. Initially, corporations primarily focused on maximizing profits, with limited emphasis on social obligations. However, the introduction of **Corporate Social Responsibility (CSR)** has significantly transformed this approach. Corporate Social Responsibility (CSR) requires businesses to go beyond profit-making objectives and actively participate in initiatives that promote social welfare, environmental sustainability and human development. Established to embed environmental and social considerations into core business strategies, CSR encourages companies to undertake initiatives that promote sustainable and inclusive growth. As outlined in Schedule VII of the Companies Act, 2013, companies are encouraged to undertake a variety of socially beneficial activities. These include initiatives such as promoting education, supporting environmental sustainability, fostering gender equality, and addressing issues like poverty and hunger. Broadly, Corporate Social Responsibility (CSR) encompasses four main pillars: economic responsibility, ethical conduct, philanthropic contributions and environmental stewardship. These pillars serve as a framework for businesses to operate in a manner that is not only profitable but also socially and environmentally conscious.

II. ENVIRONMENTAL RESPONSIBILITY

Environmental responsibility refers to the strategies and practices adopted by businesses to safeguard and enhance the natural environment. This includes efforts to reduce carbon emissions, minimize waste and invest in renewable energy sources through environmentally focused investments. Given the growing concerns over climate change, pollution and biodiversity loss, environmental sustainability has become a critical element of **Corporate Social Responsibility (CSR)**. Increased pressure from stakeholders has led companies to adopt sustainable business practices such as energyefficient technologies, waste recycling and use of biodegradable materials, sourcing sustainable raw materials and committing to renewable energy initiatives. These actions help organizations align their operations with sustainability goals and bring long-term strategies into actionable outcomes.

1. Ethical Responsibility:
Ethical responsibility emphasizes fair and transparent treatment of all stakeholders, including employees, customers, suppliers and the broader community. Organizations that emphasize ethical practices are more likely to earn the confidence and loyalty of both customers and investors. Ethical initiatives include implementing fair wage policies, fostering diversity and inclusion in the workplace, and ensuring equitable opportunities for all, regardless of background. Transparency and integrity in operations are essential components of ethical business practices.

2. Philanthropic Responsibility:
Philanthropic responsibility involves voluntary efforts by businesses to improve the well-being of the communities in which they operate. While not legally mandated, these initiatives reflect a commitment to social betterment. Activities may include charitable donations, employee volunteering, partnerships with educational institutions and community development programs. Aligning corporate goals with societal and environmental needs enhances the organization's public image and strengthens customer loyalty and stakeholder trust.

3. Financial (Economic) Responsibility:
Economic responsibility centers on contributing to sustainable economic development while maintaining profitability. In the context of today's global economy, businesses can support the **Sustainable Development Goals (SDGs)** through green and sustainable investments. Ensuring transparency and accountability in financial reporting safeguards stakeholder interests. Furthermore, addressing unemployment by creating job opportunities and offering training and career development programs allows businesses to play a proactive role in social and economic upliftment.

Effective implementation of **Corporate Social Responsibility (CSR)** is further supported by **ISO 26000**, a set of voluntary international guidelines designed to assist organizations in adopting socially responsible practices. ISO 26000 aids companies in understanding the concept of social responsibility and translating its core principles into practical actions that generate positive outcomes. Unlike compulsory regulations, ISO 26000 provides advisory guidance instead of enforceable requirements, recognizing that Corporate Social Responsibility (CSR) is fundamentally qualitative in nature.

Organizations can also align their CSR initiatives with the **United Nations Sustainable Development Goals (SDGs)**, introduced in 2015, to ensure their strategies contribute to global development objectives. In India, there is a significant overlap between CSR initiatives and SDGs, as CSR provides a broad and flexible framework that naturally complements the goals outlined by the UN. Initially a voluntary approach, CSR was institutionalized in India through legislative action. The **Companies Act, 2013**, marked a historic shift by making CSR compliance mandatory for certain companies. In accordance with the Act, any company that satisfies at least one of the following financial criteria is subject to compliance:

1. A net worth of ₹500 crore or more,
2. An annual turnover of ₹1,000 crore or more, or
3. A net profit of ₹5 crore or more in any given financial year—are mandated to allocate at least 2% of the average net profits earned during the three immediately preceding financial years to Corporate Social Responsibility (CSR) activities on an annual basis.

Furthermore, eligible companies are required to establish a **CSR Committee**, comprising a **minimum of three directors**, including at least **one independent director**. This committee is responsible for formulating, implementing, and monitoring the company's CSR policies and programs.

If a company's CSR expenditure does **not exceed ₹50 lakhs**, it is **not mandatory** for such an organization to establish a **Corporate Social Responsibility (CSR) Committee**. Instead, the responsibility for overseeing CSR initiatives can be managed directly by the **Board of Directors**.

In instances where the company **does not fully utilize the required CSR amount**, the treatment of the **unspent funds** depends on the nature of the project:

- For **ongoing projects**, any unused CSR funds must be deposited into a designated bank account titled the **"Unspent CSR Account"** within **30 days** following the end of the financial year.
- For **non-ongoing projects**, the unutilized amount must be deposited into a government fund specified under **Schedule VII of the Companies Act** within **six months** from the end of the financial year.

As per the **Companies Act, 2013**, CSR compliance is legally mandated, and **non-compliance** attracts **penalties**:
- In the event of default, the company must **allocate an amount equivalent to either twice the unspent CSR obligation or ₹1 crore**—whichever is lower—by transferring it to the Unspent CSR Account or to a fund specified in Schedule VII.
- If a company **officer is found in default**, a **penalty of two lakh rupees** or **10% of the unspent amount**, whichever is less, must be paid, and the amount must be transferred accordingly.

The mandatory implementation of CSR under the Act has **significantly reformed corporate accountability**, ensuring that businesses actively contribute to addressing social and environmental challenges—filling gaps left by earlier systems.

STATEMENT OF THE PROBLEM

Corporate Social Responsibility (CSR) extends beyond social welfare activities; it serves as a strategic tool for integrating environmental sustainability, social development and human well-being into business operations. CSR is enabling organizations to align their economic objectives with the broader goal of societal advancement. However, the implementation of CSR practices faces multiple challenges and complexities. This research paper is sought to explore and analyse the critical issues and obstacles associated with CSR, as well as their implications for Indian society.

OBJECTIVES OF THE STUDY

- To analyze the organizational structure and framework of Corporate Social Responsibility (CSR).
- To identify and understand the major challenges and issues associated with CSR implementation.
- To assess the impact of CSR initiatives on various aspects of Indian society.

Challenges in Implementing Corporate Social Responsibility (CSR):

The Companies Act, 2013 provides a legal structure for the implementation of Corporate Social Responsibility (CSR). However, businesses often face difficulties in adopting CSR frameworks due to ambiguities in guidelines and a lack of internal expertise to effectively implement the strategies. Additionally, integrating CSR policies may require significant modifications to existing systems and processes, which many organizations resist—especially if these changes incur additional costs or operational disruptions. Corporations frequently develop their own CSR strategies and performance metrics. While this approach allows for customization, it can be resource-intensive, both in terms of time and financial investment, with long-term implications. Although CSR promotes transparency and accountability, many companies fall short in disclosing the social and environmental impact of their operations. In some cases, businesses have been found concealing information about activities that negatively affect the environment—thus undermining the ethical, social and philanthropic objectives of CSR.

Environmental accountability, such as effective waste management and carbon emission control, has become an increasing area of concern. One of the major challenges is effectively balancing short-term financial objectives with the long-term goals of sustainable development. Sustainable practices often require initial capital outlay and strategic planning, which can impact immediate profitability. For instance, transitioning from conventional plastic packaging to biodegradable alternatives aligns with environmental goals, but due to the higher costs involved, it may reduce short-term profit margins.

CSR also emphasizes ethical and philanthropic responsibilities, including fair and equitable treatment of all stakeholders. Corporations are expected to ensure employee welfare; however, many enforce rigid policies that adversely affect employee well-being. Events such as the recent passing of Anna Sebastian Perayil, a chartered accountant at Ernst & Young (EY), have triggered significant discussion regarding corporate work culture and its effects on employees' mental and physical well-being.

Despite these challenges, effective policy implementation and a genuine commitment to social responsibility can enable businesses to meet CSR goals while contributing meaningfully to sustainable development.

III. REVIEW OF LITERATURE

Rabinarayan Samantara et al. (2020) examine the concept and multiple dimensions of Corporate Social Responsibility (CSR). The study aims to identify the key factors motivating organizations to adopt CSR initiatives. The researchers primarily address the prevailing issues and challenges associated with CSR implementation in India and propose potential solutions for overcoming these barriers. Additionally, the paper reviews the statutory provisions related to CSR to provide better clarity on the challenges discussed.

Mrs. Ravikala (June 2019) explores CSR from a broader perspective, emphasizing that it extends beyond charitable donations or philanthropy. The study emphasizes the importance of CSR, outlining strategies for its implementation and the benefits it offers. The study also delves into the legal framework governing CSR in India to provide insights into its practical implementation. Furthermore, the paper discusses how CSR is currently practiced and focuses on the contemporary landscape of CSR within the Indian corporate sector.

Dr. J. Vimal Priyan (June 2017) examines the historical progression of Corporate Social Responsibility (CSR) in India, highlighting its various stages of evolution over time. The paper outlines the efforts made by Indian companies in implementing CSR initiatives and explores key focus areas to emphasize the significance of CSR across different sectors. The study also evaluates the impact of CSR activities on Indian society and offers a comprehensive overview of CSR from an Indian context.

Dr. Dharmendra Singh et al. (2024) investigate the challenges and issues associated with CSR implementation. The research highlights problems such as lack of transparency, accountability gaps, and limited disclosures. It further explains the definition and structure of CSR through the CSR pyramid, detailing its financial, legal, ethical and philanthropic responsibilities. The researchers argue that with strategic planning and oversight, CSR initiatives can be implemented successfully. The study also assesses the societal outcomes of CSR efforts.

Current Scenario of CSR in India:

Indian corporations are making noteworthy contributions under the Corporate Social Responsibility framework, reflecting a growing commitment to social, environmental, and developmental responsibilities.

Corporate Social Responsibility (CSR) Initiatives Across Major Indian Companies

Company	Sector	CSR Focus Area	Implementation Strategy
Tata Group	Diversified Conglomerate	Education & Skill Enhancement	Implemented through Tata Trusts, scholarships, and digital literacy programs
Infosys	Information Technology	Environmental Stewardship	Initiatives include carbon neutrality and green infrastructure development
Reliance Industries	Oil & Gas	Rural Upliftment	CSR carried out via Reliance Foundation with a focus on healthcare and sanitation
Wipro	Information Technology	Education for Disadvantaged Groups	Programs such as Mission10X and Wipro Cares educational initiatives
ITC Limited	Consumer Goods (FMCG)	Water Resource Management	Activities include soil and water conservation and watershed development
Mahindra & Mahindra	Automotive	Education for the Girl Child	Executed through "Project Nanhi Kali"
Hindustan Unilever	Consumer Goods (FMCG)	Hygiene and Sanitation Awareness	Awareness drives like Lifebuoy's 'Swachh

			Aadat' campaign
Maruti Suzuki	Automotive	Road Safety	Setup of driver training schools and traffic safety initiatives
Bharti Airtel	Telecommunications	Digital Learning	Programs such as the Satya Bharti Digital Classroom
HDFC Bank	Banking	Livelihood Sustainability	CSR under the 'Parivartan' initiative
State Bank of India	Banking	Healthcare Accessibility	Medical camps and initiatives through SBI Foundation
Adani Group	Infrastructure	Community Health	Health-related programs led by the Adani Foundation
Larsen & Toubro (L&T)	Engineering	Water Management	Rainwater harvesting and recycling projects
Coca-Cola India	Beverages	Water Accessibility	'Support My School' initiative for better water infrastructure
Tata Consultancy Services	Information Technology	Skill Development	Youth training and employability programs in IT
Vedanta	Mining and Metals	Women's Empowerment	Formation and support of rural self-help groups
JSW Steel	Steel Manufacturing	Renewable Energy Solutions	Solar energy installations in rural communities
Nestlé India	Consumer Goods (FMCG)	Nutrition and Health Education	'Healthy Kids' program to promote balanced nutrition
Dabur India	Consumer Goods (FMCG)	Traditional Healthcare Promotion	Ayurvedic medical camps and community health drives
Apollo Hospitals	Healthcare	Mobile Health Services	Health vans deployed to deliver rural medical services

Impact of CSR Initiatives by Indian Corporates:
Indian corporations have made notable contributions to societal development through their Corporate Social Responsibility (CSR) initiatives. These efforts span across various sectors, particularly education, healthcare, skill development and environmental sustainability.

In the education sector, companies have launched voluntary training programs and partnered with local educational institutions. For instance, Infosys' Springboard platform offers free and inclusive digital learning opportunities, equipping students and educators with essential skills and resources.

The healthcare contributions of corporates have also been substantial. A prominent example is the Tata Group's financial and material support during the COVID-19 pandemic, which played a critical role in supporting the nation's healthcare infrastructure during a time of crisis.

Environmental sustainability has gained traction, with initiatives such as Mahindra Life spaces' water conservation program. This project promotes rainwater harvesting, installation of water-efficient fixtures, and wastewater recycling, thereby improving water resource efficiency in residential and commercial developments.

Skill development has also been a key area of focus. ITC's e-Choupal initiative has empowered farmers by providing them with access to real-time market data and agricultural best practices, leading to enhanced productivity and economic empowerment.

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Overall, CSR activities undertaken by Indian corporates have positively influenced society by promoting inclusive growth, improving public welfare, and supporting national development goals.

IV. RESEARCH METHODOLOGY

This study adopts a secondary research methodology, drawing upon data collected from a range of sources including academic journals, published articles, library archives, and newspapers. The analysis primarily relies on publicly accessible annual reports of selected e-business companies. Additionally, relevant information from existing research literature has been reviewed and interpreted using a descriptive research approach.

V. CONCLUSION

Corporate Social Responsibility (CSR), when aligned with the principles of Sustainable Development, has had a notably positive impact on society. CSR serves as a strategic benchmark that has significantly transformed the corporate landscape. The decision to make CSR a mandatory practice has introduced substantial changes in business operations. It has not only heightened awareness among corporate entities but has also empowered various stakeholders by increasing their awareness of rights and responsibilities.

Growing expectations from stakeholders have compelled companies to adopt more responsible and inclusive business practices. Although challenges to effective CSR implementation remain, these can be addressed through structured policy execution, greater transparency and enhanced accountability in corporate governance.

In essence, the foundational idea of CSR echoes a timeless value—living for the welfare of others. As a Sanskrit verse aptly states:

"परोपकाराय फलन्ति वृक्षाः, परोपकाराय वहन्ति नद्यः।
परोपकाराय दुहन्ति गावः, परोपकारार्थमिदं शरीरम्॥"

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