

# The Landscape of CSR in India: Challenges and Prospects Ahead

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## Abstract:

In recent years, Corporate Social Responsibility (CSR) in India has evolved remarkably, becoming an essential aspect of corporate governance and sustainable business operations. This article examines the challenges and opportunities associated with CSR in the country. It highlights the current difficulties companies face in meeting their societal obligations, drawing from an extensive review of existing literature on CSR practices in India. By integrating historical contexts, present-day practices, and future outlooks, the study offers valuable insights for businesses, policymakers, and researchers aiming to understand the ever-changing CSR landscape in India.

**Keywords:** Corporate Social Responsibility, National Voluntary Guidelines, CSR initiatives.

## 1. Introduction

Corporate Social Responsibility (CSR) in India has undergone a significant transformation in recent years, emerging as a critical component of corporate governance and sustainable business practices. The concept of CSR goes beyond profit generation, encouraging companies to actively contribute to the well-being of society and the environment. India, with its diverse socio-economic landscape, has witnessed a growing recognition of the need for businesses to play a more responsible and inclusive role in community development. At its core, CSR refers to a company's commitment to conducting its business in an ethical and responsible manner, taking into consideration the interests of various stakeholders beyond its shareholders. These stakeholders include employees, customers, suppliers, local communities, and the environment. The overarching goal of CSR is to contribute positively to society while ensuring the long-term viability of the business.

One key aspect of CSR involves environmental sustainability. Beyond environmental concerns, Corporate Social Responsibility also encompasses social initiatives aimed at addressing issues such as poverty, inequality, and education. By actively engaging in philanthropy, community development, and ethical labor practices, businesses can play a pivotal role in fostering positive social change. Moreover, CSR is not solely driven by altruistic motives; there is a growing realization that responsible business practices can enhance a company's reputation, build brand loyalty, and create a competitive advantage in the market. The concept of CSR has roots in the early 20<sup>th</sup> century, but it gained significant traction in the latter half as societal expectations of corporations evolved. In the post-World War II era, businesses were primarily focused on economic growth and profitability. However, as globalization increased and

information became more accessible, the public began to scrutinize corporate practices. High-profile incidents of environmental degradation, labor exploitation, and unethical behavior spurred a demand for greater corporate accountability. Today, CSR is not merely a buzzword but a strategic imperative for businesses aiming to thrive in a socially conscious environment. Stakeholders, including consumers, investors, and employees, increasingly expect companies to go beyond profit-making and actively contribute to societal well-being.

## **2. Corporate Social Responsibility in India**

During the pre-industrialization era, extending until 1850, affluent merchants exhibited a societal commitment by establishing temples for religious purposes, as noted by. However, the onset of the 19<sup>th</sup> century marked a shift in the philanthropic landscape, urging industrialists to empower communities through diverse capacity-building initiatives. The 19<sup>th</sup> century industrial families displayed a notable dedication to charitable endeavors and social considerations. Renowned Indian business conglomerates such as Tata, Birla, Godrej, and Singhanian industries played a transformative role in reshaping the perception of philanthropy. Influenced by Mahatma Gandhi's concept of Trusteeship, these entrepreneurs redirected their focus towards fostering knowledge capital within the nation. The expansion of our nation's independence broadened its horizons, ushering in the active involvement of public sector undertakings in CSR. During the post-independence era, the public sector was recognized as a key driver of development. The term CSR gained prominence in India during the early 1970s. In 1965, a national workshop on CSR was established by Indian academicians, politicians, and business figures with the goal of fostering reconciliation. Their focus was on promoting transparency, social accountability, and regular dialogues with stakeholders

Moreover, the implementation of liberalization policies in India as per the LPG regulations, including relaxations in the Factories Act and licensing policies, provided impetus for both private and public sector organizations to engage in CSR initiatives on a large scale. The resulting economic growth momentum empowered Indian companies to expand rapidly, fostering a greater willingness and capability to contribute to social causes. The primary goal of CSR nowadays is to optimize the overall influence of a company on both society and stakeholders. A growing number of businesses are progressively incorporating CSR policies, practices, and programs into their operational processes. In contemporary business practices, the main objective of CSR is to enhance the collective impact of a company on society and its stakeholders. An increasing number of enterprises are steadily integrating CSR policies, practices, and programs into their day-to-day operations. The scenario of CSR has been changing time to time with government regulations. The National Voluntary Guidelines (NVGs) outline a set of principles that businesses in India are encouraged to adhere to, guiding them in fulfilling their social, environmental, and economic responsibilities. These guidelines were established by the Government of India in 2011. The NVGs encompass nine principles that address a wide spectrum of social, economic, environmental, and governance concerns, as well as developmental priorities. These guidelines offer practical advice to businesses regarding the incorporation and execution of these principles. The NVGs are voluntary, and companies are encouraged to adopt them on a "comply or explain" basis.

## **3. Constitutional Status of Corporate Social Responsibility in India**

Clause 135 of The Companies Act of 2013 marks a significant milestone in the realm of Corporate Soc-

ial Responsibility growth. This legislation offers the corporate sector a chance to integrate social considerations into its business operations. The 2013 Act incorporates various provisions that are poised to alter the business landscape for Indian corporations. One notable provision is the emphasis on expenditure towards CSR activities. India became the first country to legislate the need to undertake CSR activities and mandatorily report CSR initiatives. Under the new Companies Act 2013, The CSR provisions outlined in the legislation apply to companies with an annual turnover exceeding Rs.1,000 crore, or a net worth surpassing Rs.500 crore, or a net profit of five crore rupees and above. Should any of the stipulated financial strength criteria be fulfilled, the company will be subject to the CSR provisions and associated regulations. Such entities are mandated to establish a CSR committee comprising their directors. This committee is tasked with supervising the entirety of the company's CSR initiatives. The legislation promotes businesses to allocate a minimum of two percentage of their average net profit over the preceding three years toward CSR initiatives. The draft rules from the ministry, currently open for public feedback, delineate net profit as the profit before tax recorded in the financial books, excluding profits generated from branches located outside India.

In accordance with the Companies Act 2013, companies are obligated to prioritize local communities and the regions where they operate when engaging in CSR activities. Additionally, companies have the option to collaborate with two or more entities to fulfill CSR obligations, provided each entity is capable of reporting independently. The CSR Committee will be responsible for formulating the CSR Policy, encompassing the projects and programs to be undertaken. This entails compiling a list of initiatives scheduled for the implementation year and emphasizing the alignment of business models with social and environmental priorities. However, if the company lacks the capacity to meet the minimum required expenditure, it must furnish the reasons for non-compliance in the Board Report. This ensures the absence of any associated penal provisions.

#### **4. Methodology**

This study is a comprehensive analysis of India's overall corporate social responsibility and discuss about its challenges and future prospects. This is a descriptive study. Researcher will use the secondary data. The primary data for this study is derived from the National CSR Portal, which is the official website of the Government of India. Additionally, researcher has incorporated information from journal articles, books, and various websites in the composition of this paper.

#### **5. Objectives of the Study**

- To understand the current state of CSR in India and Andhra Pradesh.
- To examine the challenges and opportunities encountered by CSR in India.

#### **6. The current state of CSR in India and Andhra Pradesh**

As per the data available in CSR portal there are 18623 companies are engaged in the CSR activities for the financial year 2021-2022<sup>1</sup>. Total amount spent on CSR was Rs.25932.79 (crores). Presently, there are 42440 ongoing CSR initiatives on 14 different development sectors in India, encompassing various types of activities. These projects collectively contribute numerous advantages to the well-being of society and its members. In that total amount of CSR, 38.51 per cent of the amount spent on Health and

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<sup>1</sup> National CSR Portal; <https://www.csr.gov.in/content/csr/global/master/home/home.html>

sanitation, 32.32 percent of the amount spent on education, differently abled and livelihood, remaining 30 percent of the funds were spent remaining development sectors like environmental protection, women empowerment, rural development, sports, heritage and culture. In India, CSR is a collaborative effort between public sector enterprises and private companies. This analysis delves into the financial commitments made by these entities to CSR. A total of 313 public sector companies in India actively participate in CSR initiatives, collectively allocating Rs 4,313.46 crores for CSR endeavors<sup>2</sup>. On the other hand, there are 18310 non-public sector (Non-PSU) companies are actively participate in corporate social responsibility. Collectively, these entities allocate a substantial sum of Rs.21,619.34 crores towards CSR. This amount is surpassing the expenditure of public sector companies.

**Table 1: Top Ten Companies in Corporate Social Responsibility spending (FY 2021-2022)**

SL.No	Name of the Company	Amount Spent (inRs.Crores)
1	Reliance Industries Limited	812.33
2	HDFC Bank Limited	722.99
3	Tata Consultancy Services Limited	719.92
4	Oil and Natural Gas Corporation Limited	436.19
5	NTPC Limited	356.71
6	Infosys Limited	344.47
7	ITC Limited	333.38
8	NMDC Limited	287.33
9	Indian Oil Corporation Limited	284.03
10	ICICI Bank Limited	266.52

**Source:** National CSR Portal;<https://www.csr.gov.in/content/csr/global/master/home/home.html>

The Table 1 displays the top ten companies that actively participated in corporate social responsibility (CSR) initiatives throughout the financial year 2021-22, along with the corresponding expenditure figures.

**Table 2: Top Ten States of India in CSR(FY 2021-2022)**

SL.No	Name of the State	Amount in Rs.crores
1	Delhi	1158.00 (6)
2	Gujarat	1554.16 (3)
3	Haryana	654.88(9)
4	Karnataka	1761.39 (2)
5	Maharashtra	5229.31 (1)
6	Odisha	652.01 (10)
7	Rajasthan	700.44 (7)
8	Tamil Nadu	1371.91 (4)
9	Telangana	670.06 (8)
10	Uttar Pradesh	1321.36 (5)

<sup>2</sup> National CSR portal; <https://www.csr.gov.in/content/csr/global/master/home/home/csr-spent--psu-vs-non-psu.html?PSU=FY%202021-22>

**Source:** National CSR Portal; <https://www.csr.gov.in/content/csr/global/master/home/home.html>

**Note:** Figures in brackets are ranks

It is clear from the above the table 2 that Corporate Companies spending on CSR in Maharashtra is highest to the extent of Rs. 5229.31crores followed by Karnataka RS. 1761.39crores. The spending by Maharashtra indicates its strong commitment for social responsibility and community development. The lowest amount is spent by Odisha. Andhra Pradesh ranked eleven in spending on CSR. This reflects a commendable effort by the corporate sector in the state towards social responsibility. In Andhra Pradesh major source for CSR funds are comes from Indian Tobacco Company (ITC), it spent Rs.222.4crores.

**Table 3: CSR in Andhra Pradesh**

<b>Year</b>	<b>Total CSR Expenditure (Rs.Crores)</b>	<b>Total Number of Companies</b>	<b>Top District (Rs. Crores)</b>
<b>2017-2018</b>	575.07	486	Visakhapatnam (63.36)
<b>2018-2019</b>	665.97	562	Visakhapatnam (30.98)
<b>2019-2020</b>	710.23	593	Chittoor (32.65)
<b>2020-2021</b>	719.81	665	Visakhapatnam (56.4)
<b>2021-2022</b>	640.7	637	Guntur (250.33)

**Source:** National CSR Portal; <https://www.csr.gov.in/content/csr/global/master/home/home.html>

In the year 2017-2018, the total CSR expenditure was Rs. 575.07Crores, involving 486 companies. Visakhapatnam was the top district, receiving Rs. 63.36Crores. In 2018-2019, the total CSR expenditure increased to Rs. 665.97Crores, with 562 companies participating. Visakhapatnam remained the top district, although the expenditure decreased to Rs. 30.98Crores. The fiscal year 2019-2020 saw a further increase in total CSR expenditure, reaching Rs. 710.23Crores. The number of participating companies also increased to 593. Chittoor became the top district, receiving Rs.32.65Crores. In 2020-2021 recorded a slight increase in total CSR expenditure, reaching Rs. 719.81Crores, involving 665 companies. Visakhapatnam regained its position as the top district, with an expenditure of Rs.56.4Crores. In the most recent data for 2021-2022, the total CSR expenditure decreased to Rs. 640.7Crores, but the number of participating companies decreased to 637. Guntur emerged as the top district, receiving a substantial amount of Rs.250.33Crores.

**Key observations:**

- The total CSR expenditure in Andhra Pradesh has shown fluctuations over the years.
- The number of companies participating in CSR activities has generally increased.
- Visakhapatnam consistently appears among the top districts in terms of CSR expenditure, except in 2019-2020 when Chittoor took the lead. In 2021-2022, Guntur emerged as the top district with a significantly higher CSR expenditure.



## 7. Challenges encountered by Corporate Social Responsibility in India

In India, despite the numerous advantages, Corporate Social Responsibility has encountered various challenges. CSR goes beyond merely mitigating the adverse effects of corporate actions. CSR efforts in India often grapple with regional disparities. While some urban areas may witness robust CSR initiatives, rural and economically disadvantaged regions may be overlooked. Bridging this gap requires a more inclusive and geographically balanced approach to CSR planning and implementation. The following are the challenges faced by CSR.

**Less Propensity of Community towards CSR Activities-** The community's overall indifference towards CSR initiatives contributes to their sluggish development. The lack of widespread awareness excludes people from engaging in CSR, as there are minimal endeavors to disseminate information and instill confidence within local communities. The existing communication gap between organizations and grassroots communities results in the discontinuation of CSR efforts. The grassroots population remains uninformed about the impending benefits of CSR programs, further hindering their participation in both planning and execution stages.

**Lack of Transparency-** For the successful implementation of a CSR policy within a company, transparency stands as a pivotal requirement. This apparent lack of openness adversely affects the establishment of trust between companies and local communities. Companies often fall short in making sufficient efforts to disclose pertinent information, thereby impeding the establishment of trust between corporate entities and communities.

**Organizational Skill Gaps in execution of CSR-** Efficient management is essential for the successful implementation of CSR. Regrettably, a lack of skills among organizational workers results in the ineffective handling. This deficiency also contributes to unequal access to the benefits of CSR within communities. The insufficient technical and managerial capacity of employees in various corporate sectors leads to the flawed expansion of CSR projects in communities.

**Lack of Consensus between CSR projects and Local Agencies-** The absence of agreement among local agencies regarding the execution of CSR projects stands out as a significant factor contributing to their lack of success. Divergent opinions among various local agencies and corporate entities contribute to a duplication of efforts in terms of CSR initiatives. This issue further gives rise to unhealthy competition among local organizations, constraining their capacity to periodically assess its impact. The lack of consensus frequently leads to the duplication of activities by corporate entities within the areas of their interventions.

**Minimal intervention of Government in implementation of CSR-** The government is currently not taking a proactive stance in fulfilling its CSR. Consequently, the trajectory of CSR appears to be misguided. Companies are lacking in effective planning, experimentation, and innovative approaches in their CSR initiatives. This deficiency implies that the positive impact they desire may not be achieved. Corporate entities should actively recognize the challenges faced by their citizens and subsequently channel their investments into initiatives that address these issues.

**Lack of sufficient financial resources, local capacities, and infrastructure-** Engaging in CSR often requires substantial financial commitments. Organizations need to meticulously strategize and prioritize their investments. Additionally, a notable deficiency exists in local capabilities and infrastructure. The absence of robust governmental and non-governmental organizations capable of contributing to CSR initiatives underscores the urgent necessity to develop local capacities and enhance infrastructure for the successful implementation of CSR programs.

**Focus on quantitative metrics-** Overemphasis on quantitative metrics rather than qualitative impact. Many companies prioritize meeting the mandatory spending threshold without necessarily ensuring that their CSR initiatives create sustainable, long-term benefits for the community. By solely focusing on numerical targets, companies may inadvertently sideline the qualitative aspects that contribute to the long-term success and positive transformation of the communities they aim to support. This approach can result in superficial and short-term impact.

## 8. Future Prospects of Corporate Social Responsibility in India

The importance of Corporate Social Responsibility for businesses goes beyond philanthropy in today's ever-changing landscape. Stakeholders now expect companies to have a purpose and make positive contributions to society and the environment. As we look ahead, several significant trends and challenges will influence the direction and significance of CSR initiatives.

**Integration of technology and innovation-** One of the key trends shaping the future of CSR is the integration of technology and innovation. Innovative technologies offer effective ways to address environmental and social issues while creating shared value for businesses and society. For instance, data analytics has emerged as a powerful tool for CSR. It allows companies to collect and analyze vast amounts of data related to their CSR efforts, enabling them to understand the impact of their initiatives, identify areas of improvement, and allocate resources more effectively. With advanced analytics tools, companies can gain valuable insights into the social and environmental impact of their interventions, helping them make data-driven decisions and maximize their positive contributions.

**Focus on collaboration and inclusion-** Another significant trend in CSR is the emphasis on collaboration and inclusion. Successful CSR implementation requires collaboration and partnerships between different organizations across sectors. Collaborative efforts between government agencies, non-governmental organizations (NGOs), academic institutions, and private sector companies can amplify the impact of CSR initiatives, creating a collective force for positive change. When businesses engage with diverse groups of people, including marginalized communities, they can gain unique perspectives on how best to approach CSR initiatives.

**Enhanced Stakeholder engagement-** Moreover, social impact and stakeholder engagement are fundamental aspects of CSR. Stakeholder engagement should not just be seen as an obligation but also as an opportunity to build trust with stakeholders. It requires commitment to ongoing communication and relationship-building efforts. By actively seeking out feedback from stakeholders on issues such as sustainability performance or social impact initiatives, businesses can better understand the needs and expectations of their various audiences. This feedback loop facilitates continuous improvement and enhances the relevance and effectiveness of CSR initiatives. The future of CSR in India holds great promise and responsibility. By aligning CSR initiatives with global sustainability goals, businesses can contribute meaningfully to the well-being of all stakeholders and the world we inhabit. CSR acts as a guiding force, urging businesses to generate value for society and the planet, not just profits. It is a transformative power that, when harnessed effectively, enables businesses to create a more responsible and sustainable future.

## 9. Conclusion

Corporate Social Responsibility India has evolved significantly, transcending philanthropy to become a strategic imperative for businesses. The concept underscores the broader responsibility of companies to contribute positively to society, the environment, and the well-being of stakeholders. India has witnessed

historical shifts, from early philanthropic endeavors to the legislative milestones of the Companies Act 2013. The mandatory CSR provisions outlined in the Companies Act have mandated companies meeting certain financial criteria to allocate a minimum percentage of their profits. This legal framework, coupled with the National Voluntary Guidelines has provided a structured approach for businesses to fulfill their social, environmental, and economic responsibilities. The focus on local communities, transparency, and diverse project portfolios has become integral to CSR initiatives. Despite the positive strides, CSR in India faces challenges. Regional disparities, a perception of CSR as mere philanthropy, and a lack of sustained impact after initial funding are significant hurdles. Community indifference, lack of transparency, organizational skill gaps, and the absence of government intervention pose additional challenges. Looking ahead, the prospects of CSR in India are promising. Trends indicate a shift towards integrating technology and innovation, emphasizing collaboration and inclusion, and enhancing stakeholder engagement. The focus on qualitative impact and alignment with global sustainability goals positions CSR as a driving force for a responsible and sustainable future. As businesses navigate these trends and challenges, CSR remains a powerful tool for positive social change and environmental stewardship. The commitment of top companies in India, as evidenced by significant spending in CSR initiatives, reflects a growing awareness of the importance of responsible business practices in shaping a better future.

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