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A STUDY ON CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDIA

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ABSTRACT

Since gaining independence, the Indian government has made several efforts to engage corporations and large businesses to elevate the masses, especially the impoverished and marginalized communities. Even with the introduction of the first five-year plan, there was considerable discussion regarding Corporate Social Responsibility. However, during that time, the concept of CSR was confined to the company's own stakeholders. Currently, the notion of CSR has expanded in both its definition and implementation (Secchi, 2007, and Lee, 2008). The initial understanding of CSR focused solely on philanthropy, whereas later the focus shifted to the relationship between business and society, particularly regarding the role that a corporation or firm plays in addressing social issues.In the twentieth and twenty-first centuries, market performance and social performance were interconnected. Management received significant support to adopt the initiative of enhancing both ethical standards and justice in society through the principle of economizing (Oliver Sheldon 1923, cited in Bichta, 2003). In doing this, companies generate wealth within the community and enhance living standards. Currently, CSR, referred to as corporate responsibility, corporate citizenship, responsible business, and corporate social opportunity, is a notion where business entities take into account societal interests by acknowledging the effects of their actions on customers, suppliers, employees, shareholders, communities, other stakeholders, and the environment. This requirement demonstrates that organizations must adhere to laws and proactively engage in efforts to enhance the welfare of their employees and their families, alongside benefiting the local community and society as a whole.

Keywords : Corporate Social Responsibility (CSR), CSR in India, Growth and development, Sustainable development

CSR IN INDIA

Corporate Social Responsibility (CSR) in India has transformed from traditional temple-building and family philanthropy into a legally mandated, strategic growth driver. India became a global pioneer in 2013 by legally requiring qualifying corporations to spend 2% of their net profits on social development initiatives.

CSR in India has traditionally been seen as a philanthropic activity. In keeping with the Indian tradition, it was an activity that was performed but not deliberated. As a result, there is limited documentation on specific activities related to this concept. However, what was observed is that much of this had a national character in the form of endowing institutions to actively participating in India’s freedom movement, and embedded in the idea of trusteeship. As some observers have pointed out, the practice of CSR in India still remains within the philanthropic space, but has moved from institutional building (educational, research and cultural) to community development through various projects. With global influences and with communities becoming more active and demanding, there appears to be a discernible trend, that while CSR remains largely restricted to community development, it is getting more strategic in nature (that is, getting linked with business) than philanthropic, and a large number of companies are reporting the activities they are undertaking in this space in their official websites, annual reports, sustainability reports and even publishing CSR reports.

HISTORICAL PHASES OF CSR EVOLUTION

Phase 1 (1850–1914): Driven by charity, religion, and early industrial philanthropy from pioneering business families.

Phase 2 (1914–1960): Intertwined with the independence movement; Mahatma Gandhi promoted "trusteeship," urging businesses to build social institutions.

Phase 3 (1960–1980): Characterized by a mixed economy, heavy state regulations on labor and environment, and stagnant private social action.

Phase 4 (1980–2013): Shifted toward sustainable business strategies and economic liberalization, integrating global market standards.

Phase 5 (2013–Present): Formalized by Section 135 of the Companies Act, 2013, making CSR compliance and reporting mandatory.

KEY TRENDS AND FOCUS AREAS

Top Spending Sectors: Education, healthcare, rural development, and environmental sustainability receive the lion's share of corporate funds.

Major Contributors: Leading firms like Reliance Industries and the Tata Group consistently lead national spending through structured philanthropic foundations.

Geographical Imbalances: Funding often concentrates in industrialized or urban-adjacent states, leaving remote rural pockets underserved.

Shift to ESG: Modern corporate strategies increasingly link CSR budgets with broader Environmental, Social, and Governance (ESG) frameworks and national Sustainable Development Goals (SDGs)

THE COMPANIES ACT 2013

In India, the concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013.

The Act is unique in two ways. While it has provided a cutoff for the identification of companies which have to compulsorily spend on CSR, it also identified the activities which are approved under the CSR rules.

CRITERIA FOR CSR COMPANIES

According to the Act, the following companies have to spend 2% of the average net profits of the previous three years on specified activities..

1. The companies with an annual turnover of 1,000 Crore INR and more, or
2. The Companies with a net worth of 500 Crore INR and more, or
3. The companies with a net profit of five Crore INR and more.

The Act says that the surplus arising out of CSR activities will have to be reinvested into CSR initiatives, and this will be over and above the 2% figure.

METHOD OF IMPLEMENTATION OF CSR ACTIVITIES

The Act suggests the following models for the implementation of CSR activities by the companies

- Directly on its own
- Through its own non-profit foundation set- up so as to facilitate this initiative
- Through independently registered non-profit organizations that have a record of at least three years in similar such related activities
- Collaborating or pooling their resources with other companies

ACTIVITIES UNDER CSR

The new rules, list out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval.

The indicative activities which can be undertaken by a company are specified under Schedule VII of the Act.

The activities that can be done by the company to achieve its CSR obligations include

- Eradicating extreme hunger and poverty,
- Promotion of education.
- Promoting gender equality and empowering women.
- Reducing child mortality and improving maternal health.
- Combating human immunodeficiency virus (HIV), acquired, immune deficiency syndrome, malaria and other diseases (AIDS).
- Ensuring environmental sustainability.
- Employment enhancing vocational skills, social business projects.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development
- Relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women and such other matters as may be prescribed.

Apart from the eligible expenditure as mentioned above, the Act also gave specifications about which expenditure cannot be considered as CSR expenditure. For example the expenditure on the activities meant exclusively for employees and their families will not qualify for this and the CSR activities undertaken only in India considered.

AREAS OF INTERVENTION

Under the Companies Act, preference should be given to local areas and the areas where the company operates. Company may also choose to associate with two or more companies for fulfilling the CSR activities provided that they are able to report individually.

The CSR Committee prepares the CSR Policy in which it includes the projects and programmes which is to be undertaken, prepare a list of projects and programmes which a company plans to undertake during the implementation year and also focus on integrating business models with social and environmental priorities and process in order to create shared value.

EVOLUTION OF CSR POLICY IN INDIA

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept has been existing in India for many decades. The concept has moved from initial stages of socially responsible production and socially responsible employee relations to community engagement. The growth of the concept of CSR and its structure in India can be divided into four different phases and the details under each phase are described below. (Sawati Nagwan, 2014).

The growth of the concept of CSR and its structure in India was divided into four different phases and the details under each phase are described below.

PHASE I (1850 - 1914)

The first phase of CSR is known for its charity and philanthropic nature. CSR was influenced by family values, traditions, culture and religion, as also industrialization. The wealth of businessmen was spent on the welfare of society, by setting up temples and religious institutions. During difficult times like drought and famine these businessmen opened up their granaries for the poor and hungry. With the start of the colonial era, this approach to CSR underwent a significant change. In pre-Independence times, the pioneers of industrialization, names like Tata, Birla, Godrej, Bajaj, promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. During this period social benefits were driven by political motives.

PHASE II (1910 - 1960)

The second phase was during the independence movement. Mahatma Gandhi urged rich industrialists to share their wealth for the benefit of poor and marginalized in the society. His concept of trusteeship helped socio-economic growth. According to Gandhi, companies and industries were the 'temples of modern India'. He influenced industrialists to set up trusts for colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education and empowerment of women.

PHASE III (1950 - 1990)

This phase was characterized by the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society. In this period there have been many attempts in the policy on industrial licensing and taxes, and restrictions on the private sector which all resulted in formalization of corporate social responsibility. Since the success rate of PSUs was not significant there was a natural shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development. During this period, academicians, politicians and businessmen conducted a nationwide workshop on CSR where major emphasis was given to social accountability and transparency.

PHASE IV (1990 – To Present Time)

During this period an emphasis has been laid on the sustainable business strategy. Due to liberalization, privatization and globalization (LPG), together with a comparatively relaxed licensing system, led to a boom in the country's economic growth. This further led to an increased momentum in industrial growth, making it possible for companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

MANDATORY CSR REGIME

The passing of Companies Act 2013 introduced the mandatory regime in India. The concept of CSR is governed by clause 135 of the Companies Act, 2013, which was passed by both Houses of the Parliament, and had received the assent of the President of India on 29 August 2013. The law is very significant, because India is at the threshold of demographic dividend, and there is an urgent need for the creation of human and physical capital to reap its rewards. Investment in education, health, skill development and social infrastructure will enhance capabilities of the youth by improving their nutritional, skill and educational level, which in turn will better their employment prospects.

Traditionally, this has been the responsibility of the government, but since public delivery of goods and services has been riddled with corruption and bureaucratic inefficiency and the welfare schemes are plugged with leakages, CSR is being seen as an alternative to governmental provision of merit goods. CSR will increase availability of funds for welfare activities and may lead to delivery of goods and services to the people in a cost-effective manner. The clause on environmental sustainability will help in bringing down pollution and emission of greenhouse gases and will help in compliance with international norms and regulations. Therefore, the clause on CSR is a step towards achieving social and environmental sustainability, which will benefit society in future.

The new act has changed the perception and focus of CSR in India. Details about the provisions of the Act and the trends in CSR spending are analyzed in the following sections.

PROVISIONS UNDER THE COMPANIES ACT 2013

The Companies Act 2013 not only made CSR spending compulsory, but also clearly specified the activities which come under CSR. This has changed the nature of CSR initiatives of the companies of both public and private sectors.

The Act is unique in two ways. While it has provided a cutoff for the identification of companies which have to compulsorily spend on CSR, it also identified the activities which are approved under the CSR rules.

The Act says that the surplus arising out of CSR activities will have to be reinvested into CSR initiatives, and this will be over and above the 2% figure.

The new rules, list out a set of activities eligible under CSR. Companies may implement these activities taking into account the local conditions after seeking board approval.

The indicative activities which can be undertaken by a company are specified under Schedule VII of the Act.

As per the provisions of the Act companies can carry out the specified activities by collaborating either with an NGO, or through their own trusts and foundations or by pooling their resources with another company. The law also entails setting up of a CSR committee which shall be responsible for decisions on CSR expenditure and type of activities to be undertaken. This committee shall consist of three or more directors, with at least one independent director whose presence will ensure a certain amount of democracy and diversity in the decision-making process.

TRENDS IN CSR EXPENDITURE IN INDIA

With the introduction of mandatory CSR in Companies Act, 2013, India became the leading country to make companies invest a part of their profits for communities as a compliance. As stipulated in the Section 135 of the Companies Act, companies having a net worth of Rs. 500

Crore or more, a turnover of 1000 Crore or more, or a net profit of Rs. 5 Crore or more in a given financial year are required to spend 2 percent of their average net profit (of previous three years) on CSR programmes.

The Act heralded a new era for the development sector in India which was under resource-crunch due to decreasing foreign-funding to Indian non-profits, shift in strategic focus of large grant-making organizations from India to other low-income countries and tightening of noose on FCRA, a compulsory government-nod for non-profits to obtain foreign-funding.

Trends in CSR expenditure of the top 500 companies ever since the introduction of mandatory CSR policy are discussed below.

The top 500 companies of India, largely listed on Bombay Stock Exchange and National Stock Exchange have made significant contribution to the CSR activities for the social causes. According to the report NGO these companies are required to spend Rs 1 Crore or more on CSR projects in FY 16-17. Based on the officially reported data of the top 500 companies from FY 2014-15 to 2018-19 the CSR expenditure of top 500 companies was estimated.

Indian companies responded well to the mandatory CSR with almost Rs.8800 Crore CSR spend in the 1st reporting year of the CSR compliance.

GEOGRAPHIC DISTRIBUTION OF CSR FUND

State wise distribution of CSR expenditure since the introduction of mandatory CSR policy is presented in the table.

State-Wise CSR Investments

State	Total CSR Expenditure 2014-15 to 2018-19	Average Annual Expenditure (Rs in Crore)	% Share	Average Per Capita NSDP at Constant Prices (Rs)
Maharashtra	7473.5	1494.7	18.26	124175
Rajasthan	2962.6	592.52	7.24	68000
Karnataka	2852.3	570.46	6.97	116774
Gujarat	2531.1	506.22	6.18	116624
West Bengal	2181.2	436.24	5.33	58562
Tamil Nadu	2176.4	435.28	5.32	113263
Odisha	2171.6	434.32	5.30	59536
Andhra Pradesh	2166.8	433.36	5.29	88797
Jharkhand	1725.8	345.16	4.22	47364
Telangana	1548.4	309.68	3.78	113382
Delhi	1433.3	286.66	3.50	232723
Madhya Pradesh	1428.6	285.72	3.49	48761
Haryana	1045	209	2.55	130157
Chhattisgarh	949.2	189.84	2.32	63705
Assam	882.1	176.42	2.15	47717
Uttar Pradesh	858.1	171.62	2.10	37119
Kerala	805.4	161.08	1.97	117126
Punjab	791	158.2	1.93	101220
Bihar	762.2	152.44	1.86	24884
Jammu & Kashmir	671.1	134.22	1.64	56720
Arunachal Pradesh	575.3	115.06	1.41	85581
Himachal Pradesh	512.9	102.58	1.25	112149
Manipur	369.1	73.82	0.90	45072
Sikkim	369.1	73.82	0.90	193830
Tipura	359.5	71.9	0.88	63949

Goa	354.7	70.94	0.87	254216
Meghalaya	349.9	69.98	0.85	57821
Mizoram	321.2	64.24	0.78	88159
Nagaland	311.6	62.32	0.76	60806
Total	40939	8187.8	100.00	---

Source: CSR Box & NGO Box – 2018-19

The data shows cumulative available CSR funds across different states and annual average of funds generated during the five years period from 2014-15 to 2018-19. The share of different states is also presented.

The data shows that Maharastra is the leading state with 18.26 percent of the total CSR funds in the country. On an average Maharastra generated Rs 1494.7 Crore annually during the 5 years. Total expenditure was Rs. 7473.5Crore . Rajasthan is in the second place with 7.24 percent in the total fund generated. Karnataka is in the third position with Rs. 2852.3 Crore expenditure on CSR. On an average Karnataka generated an amount of Rs. 570.46 Crore annually. Gujarat is in the fourth position with 6.18 percent of the total CSR funds. These four states account for nearly 40 percent of the total CSR funds generated. The other states with more than 5 percent share are West Bengal, Tamilnadu, Odisha and Andhra Pradesh.

An analysis to understand the relationship between the relationship economic status of the state and CSR funds generated revealed a weak relationship. However in the case of certain states which are ranking well in NSDP also is ranking well is CSR expenditure. It is observed that while Sikkim is ranking three in NSDP is ranking 23 in the CSR spending. On the other hand, Madhya Pradesh which is ranking very low (24) is in the middle ranking states interms of CSR funds (12). Same is the case with Odisha ranking 20 in NSDP, but ranking 7 in CSR funds.

TESTING HYPOTHESIS

The following hypothesis was formulated to test of there is a significant difference in the average CSR expenditure on education and health during the mandatory CSR regime.

H_0 = There is no significant difference in the average expenditure on health and education

H_1 = There is a significant difference in the average expenditure on health and education

The results indicate that the difference is significant at 95 percent confidence level. Therefore a significant difference in average expenditure on health and education is observed.

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Education	11.420	4	.000	2883.40000	2182.4097	3584.3903
Health	8.621	4	.001	2577.00000	1747.0500	3406.9500

DETAILED CORPORATE SOCIAL RESPONSIBILITY INITIATIVES OF TOP 20 COMPANIES IN INDIA

Under the mandatory CSR many companies are spending on social development in the fields of education, health, livelihood creation, skill development and empowerment of weaker sections of the society. Tata Group, Infosys, Bharti Enterprises, ITC, Welcome group, Indian Oil Corporation are the major companies.

CSR COMPANIES IN MYSORE DISTRICTS AND THEIR INTERVENTIONS

There are 13 to 15 CSR companies located in Mysore district and majority of the interventions are in the area of Mysore and Nanjungud taluks. From the data relating to the CSR intervention model of these companies and the areas of intervention, it can be observed that many companies are having their own foundations. Seven out of thirteen companies are having their own foundations and they are also collaborating with other foundations and NGOs. For example Asian Paints has its own foundation, but also works with SVYM, one of the leading NGOs working in the area of education. Public sector companies like BEML and RBI intervene directly. Automotive Axels works through NGOs like Kalisu Foundation and also with government organization called Nirmiti Kendra. Majority are involved in improving the quality of health care and education for the rural children and empowering women with improved skills.

CONCLUSION

The study reveals that the CSR interventions in the study have a positive influence on the rural households as they are targeting different members of the household. While the education interventions have addressed the requirements of the school going children in the household, health interventions have an impact on all the members for the household in providing access to basic health care.

An attempt is made to understand the factors influencing the participation in the programmes and the perceptions about the positive influence of CSR interventions by using Logistic Regression models.

The results of Logistic Regression on perceptions about improvement in housing conditions show that the probability of participation by male is 74% higher than the females and it is statistically significant 1% level. The estimated value of age is -0.009 which indicates that if the age of respondent increases by one year the probability of positive perceptions decreases by 0.9 percent. But t it is not statistically significant. The influence of log income on the participation is positive. The estimated co-efficient is 1.542 which shows that as income increases by Rs.1000 the probability of positive perceptions also increases by 154% which is statistically significant at 5% level. Education has a negative effect on positive perceptions of the respondents. Its values is -0.151 which implies that as the education level of education increases the probability of positive perceptions decreases by 15% compared to others groups. The influence of education is not significant level.

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