

Original Research Article

The role of Corporate Social Responsibility in achieving sustainable development in India

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Abstract: In India, Corporate Social Responsibility has gained substantial importance as a strategic mechanism for promoting inclusive and sustainable development. The enactment of Section 135 of the Companies Act, 2013 marked a significant milestone by mandating eligible companies to allocate a portion of their profits toward social responsibility initiatives. This legislative framework has transformed CSR from a voluntary philanthropic activity into a structured and accountable development instrument. Sustainable development has emerged as a central objective for nations seeking balanced economic growth, environmental protection, and social equity. The present article examines the role of CSR in achieving sustainable development in India by analyzing its contribution to social welfare, environmental sustainability, economic empowerment, and community development. The study explores how corporate organizations actively participate in addressing such critical developmental challenges of the nation. CSR initiatives undertaken by various corporations have significantly contributed to improving access to quality education, public health services, sanitation, renewable energy, and livelihood opportunities in underserved communities. This article also highlights the growing importance of environmental responsibility within corporate governance frameworks. Indian corporations are increasingly adopting sustainable business practices, green technologies, waste management systems, and carbon reduction strategies as part of their CSR

commitments. Such initiatives not only enhance corporate reputation but also contribute to long-term ecological balance and responsible resource utilization. The study identifies several challenges affecting the effective implementation of CSR in India, including lack of transparency, inadequate monitoring mechanisms, uneven distribution of CSR funds, and limited community participation. The article emphasizes the need for stronger collaboration among government institutions, corporate entities, civil society organizations, and local communities to maximize the developmental impact of CSR programs.

Keywords: Strategic Mechanism, Philanthropic activity, Sustainable development, Environmental responsibility.

Introduction:

In the contemporary globalized economy, businesses are no longer viewed merely as profit-generating entities; they are increasingly expected to contribute toward social welfare, environmental protection, and sustainable development. The concept of Corporate Social Responsibility (CSR) has therefore gained significant prominence across both developed and developing nations. CSR refers to the ethical obligation of corporations to contribute positively to society by integrating social, economic, and environmental concerns into their business operations and stakeholder interactions. In recent years, CSR has evolved from traditional philanthropy to a strategic approach aimed at achieving long-term sustainable development objectives.

India has emerged as one of the few countries in the world to legally mandate CSR expenditure through the Companies Act, 2013. Under Section 135 of the Act, companies meeting specified financial criteria are required to spend at least two percent of their average net profits on CSR activities. This legislative initiative reflects the growing recognition of the private sector as an important partner in national development. The mandatory CSR framework has encouraged corporations to actively participate in addressing major social and environmental challenges affecting the country. As a result, CSR has become an integral component of corporate governance and development planning in India.

Sustainable development refers to a model of growth that meets present needs without compromising the ability of future generations to meet their own needs. It encompasses three major dimensions: economic sustainability, social inclusion, and environmental protection. India, being a rapidly developing economy with a large population, faces numerous developmental challenges such as poverty, unemployment, unequal access to healthcare and education, environmental degradation, climate change, and rural underdevelopment. Government efforts alone are often insufficient to address these complex issues effectively. Consequently, the participation of corporate organizations through CSR initiatives has become increasingly important in complementing public welfare programs and promoting inclusive growth.

Indian corporations have undertaken a wide range of CSR activities in sectors such as education, healthcare, sanitation, women empowerment, skill development, environmental conservation, renewable energy, rural development, and disaster relief. These initiatives contribute significantly toward improving the quality of life of marginalized communities and advancing the objectives of sustainable development. Moreover, CSR activities in India are increasingly aligned with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. Corporate participation in areas such as clean energy, climate action, sustainable cities, and quality education demonstrates the growing integration of sustainability principles into business strategies.

At the same time, the implementation of CSR in India faces several challenges, including inadequate monitoring, lack of transparency, regional disparities in fund allocation, and limited community participation in

decision-making processes. Questions are also raised regarding the actual impact and sustainability of certain CSR projects. Therefore, there is a need to critically examine the effectiveness of CSR initiatives and their contribution toward sustainable development outcomes.

This article aims to analyze the role of CSR in achieving sustainable development in India by examining its legal framework, major areas of intervention, and contributions to socio-economic progress, environmental sustainability efforts, and implementation challenges. The study further seeks to highlight the importance of collaborative governance involving corporations, government agencies, and civil society organizations in ensuring sustainable and inclusive national development.

Objectives of the study:

1. To examine the concept and significance of Corporate Social Responsibility in the context of sustainable development in India.
2. To analyze the legal and regulatory framework governing CSR activities under the Companies Act, 2013.
3. To evaluate the contribution of CSR toward environmental sustainability, promoting social welfare, and rural development programmes in India.
4. To identify the major challenges and limitations faced in the implementation and monitoring of CSR activities in India.
5. To suggest policy recommendations and strategic measures for improving the effectiveness and sustainability of CSR initiatives in India.

Review of Literature:

1. **M. Friedman (1970)** argued that the primary responsibility of business is to increase profits while operating within legal and ethical boundaries. Although his perspective differed from modern CSR approaches, the study contributed significantly to debates on the extent of corporate involvement in social development activities. The article highlighted the relationship between business accountability and economic performance.
2. **R. Edward Freeman (1984)** in this study the author introduced the Stakeholder Theory, which emphasized that corporations are responsible not only to shareholders but also to employees, customers, communities, suppliers, and society at large. The study demonstrated that sustainable business growth depends on maintaining balanced relationships with all stakeholders and integrating social concerns into corporate decision-making.
3. **Archie B. Carroll (1991)** in their study they explained that Corporate Social Responsibility consists of four major responsibilities of business organizations: economic, legal, ethical, and philanthropic responsibilities. The study emphasized that companies must not only focus on profit-making but also contribute toward societal welfare and ethical governance. Carroll's CSR Pyramid became one of the foundational frameworks for understanding corporate responsibility in sustainable development discussions.
4. **C. K. Prahalad (2004)** the author emphasized the importance of addressing the needs of low-income populations through inclusive business practices. His work highlighted how corporations can contribute to poverty reduction and sustainable development by serving marginalized communities while simultaneously expanding business opportunities.

5. **Michael E. Porter and Mark R. Kramer (2006)** in this article the authors proposed the concept of “Strategic CSR,” arguing that corporate social responsibility should be integrated into business strategy rather than treated as charity. Their study explained that CSR initiatives can create shared value for both society and corporations by improving competitiveness, social welfare, and long-term sustainability.
6. **KPMG Survey Report (2022)** The report observed that companies across the world increasingly integrate sustainability and CSR reporting into their corporate governance systems. It highlighted that environmental, social, and governance (ESG) practices have become essential components of responsible business operations. The study also noted growing corporate participation in climate action, social welfare, and sustainable investment initiatives.

Research Gap identification:

The review of existing literature reveals that considerable attention has been given to the concept, theories, and strategic importance of Corporate Social Responsibility in promoting business ethics, stakeholder engagement, and sustainable development. Earlier studies primarily focused on theoretical frameworks, stakeholder responsibilities, and the strategic integration of CSR into corporate governance. These studies established the conceptual foundation of CSR but provided limited emphasis on its practical developmental impact in emerging economies such as India. Another major gap identified is the limited research linking CSR activities directly with the achievement of Sustainable Development in the Indian context. Although many corporations undertake sustainability-related activities, insufficient academic attention has been given to measuring how effectively these initiatives contribute toward inclusive growth, environmental protection, poverty reduction, and sustainable community development. Existing studies also provide inadequate analysis of the coordination between corporate institutions, government agencies, and civil society organizations in implementing sustainable development strategies. Furthermore, previous research has not sufficiently addressed challenges such as regional imbalance in CSR fund allocation, lack of transparency, weak monitoring systems, and limited participation of local communities in decision-making processes. Therefore, the present study attempts to fill these gaps by critically examining the role of CSR in achieving sustainable development in India, with particular emphasis on its socio-economic, environmental, and governance dimensions. The study also seeks to evaluate implementation challenges and suggest measures for improving the effectiveness and sustainability of CSR initiatives in the Indian developmental framework.

Statement of Problem:

In recent years, Corporate Social Responsibility has emerged as an important mechanism for promoting sustainable development in India. The introduction of mandatory CSR provisions under the Companies Act, 2013 created greater expectations regarding the role of corporate organizations in addressing social, economic, and environmental challenges. Despite significant financial contributions by companies toward education, healthcare, environmental protection, rural development, and community welfare programs, many developmental problems such as poverty, unemployment, inequality, environmental degradation, and inadequate access to basic services continue to persist in several parts of the country. Questions have therefore arisen regarding the actual effectiveness, sustainability, and long-term impact of CSR initiatives on national development outcomes. In many cases, CSR activities are concentrated in specific geographical regions or limited to short-term projects that may not adequately address the root causes of social and environmental issues. Furthermore, several challenges affect the successful implementation and monitoring of CSR programs in India. These include lack of transparency,

insufficient accountability mechanisms, uneven allocation of CSR funds, weak impact assessment practices, and limited participation of local communities in planning and execution processes. Therefore, it becomes necessary to critically examine the role of CSR in achieving sustainable development in India, identify existing implementation gaps, and evaluate the extent to which corporate participation supports long-term socio-economic and environmental progress.

Research Methodology:

The study is descriptive and analytical in nature. The entire study based on only secondary data. And the Secondary Data has collected from Government reports, CSR reports of various companies, academic journals and books, online academic databases and official websites.

Concept and significance of Corporate Social Responsibility:

The concept of Corporate Social Responsibility (CSR) in India refers to the ethical obligation of companies to contribute towards social welfare, environmental protection, and economic development beyond profit-making activities. In the context of sustainable development, CSR plays a significant role in addressing major national challenges such as poverty, education, healthcare, gender equality, rural development, and environmental conservation. After the implementation of Section 135 of the Companies Act, 2013, Indian companies have increasingly aligned their CSR initiatives with the Sustainable Development Goals (SDGs) to promote inclusive and balanced growth. CSR initiatives by corporations and MSMEs help create employment opportunities, improve community well-being, encourage green technologies, and support long-term environmental sustainability. Thus, CSR has emerged as an important strategy for achieving sustainable development in India by integrating business growth with social and environmental responsibility.

Legal and Regulatory Frame Work of Corporate Social Responsibility:

The legal and regulatory framework governing Corporate Social Responsibility (CSR) in India is primarily established under Section 135 of the Companies Act, 2013, making India one of the first countries to mandate CSR spending by eligible companies. According to the Act, companies with a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more are required to spend at least 2% of their average net profits from the preceding three financial years on CSR activities. The law also mandates the formation of a CSR Committee to formulate, monitor, and recommend CSR policies and activities. Schedule VII of the Act specifies the areas in which CSR funds can be utilized, including education, healthcare, environmental sustainability, rural development, women empowerment, and poverty alleviation. Furthermore, amendments introduced by the Government of India strengthened compliance requirements by making unspent CSR amounts transferable to designated funds and introducing penalties for non-compliance. This regulatory framework ensures transparency, accountability, and greater corporate participation in achieving national sustainable development objectives.

Contribution of Corporate Social Responsibility in India:

Corporate Social Responsibility (CSR) has made a significant contribution toward environmental sustainability, social welfare, and rural development programmes in India by enabling corporations to actively participate in nation-building activities. Through CSR initiatives, companies invest in environmental protection measures such as forestation, renewable energy adoption, waste management, water conservation, and pollution control, thereby supporting ecological balance and sustainable resource utilization. In the area of social welfare, CSR programmes

have improved access to education, healthcare, sanitation, skill development, women empowerment, and poverty alleviation for disadvantaged communities. Additionally, many corporations focus on rural development by funding infrastructure projects, promoting sustainable agriculture, improving drinking water facilities, supporting livelihood generation, and enhancing rural education and healthcare systems. These initiatives not only improve the quality of life of local communities but also contribute to inclusive growth and the achievement of sustainable development goals in India.

CSR Expenditure in India (Last Five Financial Years)

Financial Year	CSR expenditure Rupees in Crores in India	Key observations
2019–20	24,965.82	Beginning of steady increase in CSR spending
2020–21	26,210.95	Growth despite COVID-19 pandemic challenges
2021–22	27,141.45	Increased focus on healthcare and education
2022–23	30,932.08	Significant rise in sustainable development projects
2023–24	34,908.75	Highest CSR expenditure recorded in the five-year period

The above table shows a continuous increase in Corporate Social Responsibility (CSR) expenditure in India over the last five financial years. The rise in spending reflects stronger corporate participation in social welfare, environmental sustainability, healthcare, education, and rural development initiatives under the provisions of the Companies Act, 2013. It is also expected that, in future the CSR expenditure may be more increase for the sustainable development of India.

Major challenges and Limitations of CSR in India:

- Lack of Awareness and Understanding:** Many companies, especially small and medium enterprises, lack proper understanding of Corporate Social Responsibility (CSR) objectives, legal provisions, and sustainable development practices. As a result, CSR activities are often treated as a legal formality rather than a long-term social commitment.
- Inadequate Monitoring and Evaluation:** One of the major limitations of CSR implementation in India is the absence of effective monitoring mechanisms. Many companies fail to assess the actual social and environmental impact of their CSR projects, leading to poor accountability and inefficient utilization of funds.
- Limited Community Participation:** CSR programmes are sometimes designed without consulting local communities and stakeholders. This lack of participation reduces the effectiveness of projects because the initiatives may not address the real needs of beneficiaries.
- Focus on Short-Term Projects:** Several corporations prefer short-term CSR activities for visibility and compliance purposes instead of investing in long-term sustainable development programmes. This limits the lasting impact of CSR initiatives.
- Regional Imbalance in CSR Spending:** CSR funds are often concentrated in urban and industrialized states, while backward and rural regions receive comparatively less attention. This creates unequal development and limits inclusive growth.

6. **Lack of Transparency and Disclosure:** Although CSR reporting is mandatory under the Companies Act, 2013, some companies provide insufficient or unclear information regarding project implementation, expenditure, and outcomes, making evaluation difficult.
7. **Corruption and Misuse of Funds:** In certain cases, CSR funds may be mismanaged or diverted due to corruption, lack of oversight, or weak governance practices, reducing the effectiveness of development programmes.
8. **Compliance-Oriented Approach:** Some companies undertake CSR activities mainly to comply with statutory requirements instead of integrating social responsibility into their core business strategies. This reduces innovation and genuine commitment toward sustainable development.

Conclusions of the study:

Corporate Social Responsibility (CSR) has emerged as an important instrument for promoting sustainable development in India by integrating economic growth with social welfare and environmental protection. The implementation of mandatory CSR provisions under the Companies Act, 2013 has significantly increased corporate participation in areas such as education, healthcare, rural development, women empowerment, environmental sustainability, and poverty alleviation. Although CSR initiatives have contributed positively to inclusive development, several challenges such as inadequate monitoring, lack of transparency, regional imbalance, and limited stakeholder participation continue to affect their overall effectiveness. Therefore, stronger regulatory mechanisms, better impact assessment practices, community involvement, and long-term strategic planning are essential to enhance the effectiveness of CSR activities. With proper implementation and accountability, in future CSR can play a transformative role in achieving sustainable and inclusive development goals in India.

Policy suggestions and Recommendations for effective implementation of CSR in India:

- 1) **Strengthen Monitoring and Evaluation Mechanisms:** The government should establish stronger monitoring systems to assess the effectiveness and social impact of CSR activities. Regular audits, impact assessments, and digital tracking mechanisms can improve transparency, accountability, and efficient utilization of CSR funds.
- 2) **Promote Community Participation and Stakeholder Engagement:** Companies should involve local communities, NGOs, Panchayati Raj Institutions, and other stakeholders while planning and implementing CSR projects. Participatory decision-making ensures that CSR initiatives address the actual needs of society and create long-term benefits.
- 3) **Encourage Long-Term Sustainable Development Projects:** Corporations should focus on long-term projects related to education, healthcare, environmental sustainability, skill development, renewable energy, and rural infrastructure rather than short-term charity-based activities. Sustainable initiatives create lasting social and economic impact.
- 4) **Enhance Transparency and CSR Reporting Standards:** The government and regulatory authorities should enforce standardized CSR reporting practices under the Companies Act, 2013. Public disclosure of project details, expenditure, beneficiaries, and outcomes can improve corporate accountability and public trust.

- 5) **Capacity Building and Professional Training:** Companies should establish dedicated CSR departments and provide professional training to CSR managers and employees. Skilled professionals can improve project planning, implementation, monitoring, and evaluation processes.
- 6) **Provide Incentives for Innovative and Inclusive CSR Practices:** The government may encourage effective CSR practices by offering recognition awards, tax incentives, and policy support to companies undertaking impactful projects in backward regions, environmental protection, women empowerment, and rural development. This can motivate corporations to align CSR activities with national sustainable development goals.

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