



## Linkage between corporate social responsibility and sustainable development of Indian Economy: A study

Dr. Aniruddha Sarkar

Assistant Professor, Department of Commerce, Netaji Mahavidyalaya, Arambagh, Hooghly, West Bengal, India

### Abstract

Corporate Social Responsibility (CSR) is pivotal for the strategic development of national economy and the sustainability of entrepreneurs in the present era of liberalization, privatization and globalization (LPG) prevailing throughout the globe. Sustainable development (SD) describes the means to satisfy the needs of present generation without suffering the standards of living in future. This study clarifies whether CSR has a positive impact on the SD of Indian economy or not especially after the introduction of National Economic Policy (NEP) 1991 by the government of India (GOI). Furthermore, factors of corporate governance (CG) such as internal control, management capabilities and accounting information quality, etc., have moderating the roles of CSR and sustainable corporate development of entrepreneurs to be more competitive with the global counterparts. The study recommends that government should follow constructive initiatives to formalize CSR towards the society from voluntary guidelines to legal obligations in the present changing and evolving Indian economy. The current research imparts theoretical support and motivation for the corporate houses toward CSR initiatives and their impact on SD of digitized human civilization. Investment of CSR funds in rural development (RD), education, environment, health and others social activities maintain SD in the areas of impressive economic growth and poverty eradication of developing economy in India.

**Keywords:** CSR, SD, LPG, CG and government initiatives

### Introduction

CSR management is an indicator of SD of business and an aspect of the strategic development of national economy positively after the implementations of NEP 1991 and LPG in Indian economy to become competitive with the global digitized civilization. Although environmental and social challenges grow, enterprises can implement SD principles in improving their image and ensure stable economic efficiency at long-run for the interest and prosperity of Indian economy. It is a key element of modern business that promotes SD in enhancing competitiveness and reputation of entities and adhering to international standards proposed by International Accounting Standard Board (IASB). SD aims to protect the environment, safeguard the population, improve product quality and enhance management methods to ensure economic growth and prosperity of a country to be more competitive with the global counterparts. National challenges such as military operations, economic crises, declining living standards and environmental pollution, etc., require the implementation of socially oriented management methods, particularly CSR for the wellbeing and remarkable growth of the entire society. This study investigates the effects of CSR funding for the SD of Indian economy measured through the parameters of expenditures committed to the environment, RD, health and education, etc. A growth strategy for the economy can be developed to safeguard the environment and natural resources in supporting the current and future demands of technological advancements in the digital society. India's rapid economic growth in recent decades hurt the ecology in the areas of air and water pollution, deforestation, resource depletion and climate change in affecting public health, bio-diversity and welfare of the society from the viewpoint of sustainability. CSR initiatives in India improve the environmental preservation, but difficulties remain in the issues of transparency and accountability. Aligning CSR with SD goals can boost

organization's efficacy and contribute to global sustainability. India has gained a positive response from the industry leaders and a host of public and private sector organizations over the last few decades and is now witnessing unprecedented interest after the implementation of the Companies Act 2013. This act has made a mandatory contribution of 2% of distributable profit of the corporate houses to CSR activities in India. In modern CG, CSR significantly improves the integrity and effectiveness of internal controls that create favorable environment and provide the necessary safeguards for the enterprises to gain the trust and support in enhancing the resources of their stakeholders that will ultimately lead to boost SD of Indian economy.

### Literature Review

The study has the following literature reviews

Wang, *et al.* (2024) opined that the principles of CSR has increased in recent studies, as evidenced by the focus on this topic and the governance structure, particularly from the perspective of reducing corporate risk.

Wadim, *et al.* (2021) demonstrated that Indian companies with a strong CSR presence were more likely to invest in renewable energy sources and environmentally friendly technologies, contributing to reduce carbon footprints.

Garg and Agarwal (2021) discovered that Indian firms practicing CSR exhibited a higher level of compliance with environmental regulations and standards, leading to improve overall environmental sustainability.

Supriti and Damodar (2010) found that CSR investments in India significantly contribute to the protection of fragile ecosystems and the conservation of bio-diversity. This has led to an overall improvement in the state of the environment, especially in ecologically sensitive areas.

Żelazna, *et al.* (2020) emphasized the role of CSR in promoting sustainability and environmental protection in

India. They observed a growing trend of companies engaging in projects aimed at conserving natural resources, enhancing bio-diversity and reducing their carbon footprint. Singal (2021) provided evidence of a positive relationship between CSR initiatives and the reduction of environmental pollution in Indian industries, emphasizing the importance of sustainable business practices.

Rehan (2023) revealed that the implementation of CSR activities in India, as mandated by the Companies Act 2013, led to enhance environmental sustainability through initiatives such as reducing air and water pollution, conserving natural resources and supporting eco-friendly technologies.

Pandey (2023) exhibited that CSR programs in India had a significant impact on the protection of the environment. The study found that CSR investments were directed towards initiatives such as reforestation, clean energy adoption and pollution control resulting in improved ecological conditions.

**Objectives of the Study**

CSR has the potential to make significant contributions in reducing economic and social inequalities for the SD of India. The significant objectives are

1. To highlight the association between CSR practices and SD in compliance with CG, especially after the enactment of NEP 1991 by GOI.
2. To pinpoint the benefits and challenges in the execution of CSR activities in Indian enterprises after the amendment of the Companies Act 2013 in the modern era of LPG and digitization sustaining throughout the globe.
3. To showcase the government’s initiatives regarding CSR activities for the long-term SD of Indian economy.
4. To suggest appropriate measures to improve the CSR performances associate to SD of India.

**Data Base and Methodology of the Study**

The study is descriptive type of research based on secondary sources of information. The materials have electronically been collected from the journals, books, manuals, articles, media reports, government reports, etc. Internet surfing has also been done to collect and analyze the information regarding CSR, SD, RD, LPG, NEP 1991, Companies Act 2013, CG, government initiatives, Indian economy, digitization, etc.

**CSR Practices and SD of Indian Economy**

CSR is a management concept where companies integrate social and environmental concerns into their business operations and interacts with the stakeholders beyond profit to contribute significantly for the wellbeing and prosperity of the society at large. It involves a company’s commitment to operate ethically and sustainably to balance its economic, legal, ethical and philanthropic responsibilities in creating values for all the stakeholders, including employees, communities and broadly the environment. World Business Council for SD defines that “CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of lives of workforce and their families as well as of the local community and society at large.” The impact of CSR on SD is mainly reflected in two aspects viz, active fulfilling of CSR is an effective way to enhance the soft power of enterprises and establish a favorable social image and companies can gain early advantage with regard to SD through the performance of social responsibilities. In India, CSR is a mandatory legal requirement for certain companies under the Companies Act 2013, to spend a percentage of their profits on social and environmental development initiatives. It is to ensure the longevity of lives of companies by incorporating economic, social and environmental aspects into corporate values, governance, policy formulation, operations and reporting. CSR may be considered as a tool and way of doing business towards achieving long-term SD of Indian economy.

**Table 1:** Phase-wise CSR emergence in India

Phase	Period	Year	Quality of CSR
1	Pre-industrialization	Up to 1800	The nature of the CSR initiative was in the shape of charity with religious faith and trust.
2	Pre-industrialization	1801-1914	The nature of CSR initiatives was in the shape of donations for social welfare programmes.
3	Industrialization	1950-1980	The nature of CSR initiatives was in the shape of responsible manner with a development approach.
4	Post-industrialization	1980-2013	The nature of CSR initiatives was in the shape of considering the stakeholders’ interests.
5	Post-amendment of Companies Act	2013-Present	CSR activities are being performed as per the guidelines of the Act as a legal obligation.

**Source:** Data have been collected and highlighted from e-contents on CSR and SD of Indian economy

**Table 2:** Models of CSR in India

Point	Highlight	Key notes
1	Economic Responsibility	A company’s primary economic responsibility is to be profitable and create sustainable value for its shareholders and stakeholders.
2	Legal Responsibility	Businesses are expected to operate within the boundaries of the law and adhere to all regulations and laws set by government bodies.
3	Ethical Responsibility	Beyond legal requirements, this involves acting in a manner that is considered right, fair and just by society. It means avoiding harm and acting with integrity in all business dealings.
4	Philanthropic Responsibility	This is the highest level of the pyramid, representing a voluntary commitment to give back to the society. It involves contributing resources to communities and improves the overall welfare of society, which is often done through donations or community programs.

**Source:** Data have been collected and highlighted from e-contents on CSR and SD of Indian economy

**Table 3:** Linkage between CSR and Financial Performance (FP) of an Enterprise in India

Points	Highlights	Key Notes
1	Risk of operation	CSR reduces risk of business operation.
2	Waste Management	It improves FP in reducing industrial waste.
3	Relations with regulators and agencies	It increases FP by maintaining good relations with regulators and agencies.
4	Brand equity and brand value	It enhances FP in generating brand equity and brand value.
5	Human relations and employee productivity	CSR Enhances FP by sustaining good human relations and employee productivity for overall SD of India.
6	Low cost of capital	Good CSR practices reduce the cost of capital that induces high benefits to stakeholders of an organization.
7	Support for local and global communities	It leads to more support for local and global communities that will ultimately help to enhance the FP of an organization.

**Source:** Data have been collected and highlighted from e-contents on CSR and SD of Indian economy

**The relationship between CSR and CG in India**

CG is the application of the best management practices and principles, compliances of law in letter and spirit and strict adherence to ethical norms and standards for efficient distribution and management of wealth and effective discharge of social responsibilities towards SD of all the stakeholders of an organization. Enterprises that practice good CG have also good CSR practices embedded in their

system. Unless there is good and strong CG, it is quite unlike that there is a consensus towards social responsibility. Businesses are recognizing and realizing that, an effective CSR approach can minimize business disruptions and enhance brand reputation both at national and global levels which also helps in attracting foreign capital and advanced technology to lead foreign direct investment (FDI).

**Table 4:** The Challenges hindering CG inter-alia CSR initiatives in India

Point	Highlight	Key Note
1	The absence of community involvement	The public generally lacks an interest for engaging with and supporting businesses' CSR efforts. Indian companies and their stakeholders have a naive understanding of CSR.
2	Lack of awareness on local government and politics	Involvement of various NGOs and local government institutions (Panchayat Raj Institutions) is hindered by corruption and political interests, affecting the quality and effectiveness of CSR projects.
3	Lack of transparency	Companies have complained about local implementing agencies' lack of openness, claiming that these organisations do not provide enough details about their activities, audit issues, impact assessment or how they use donor money.
4	Absence of clear CSR policies	Companies' CSR efforts lack a precise compass due to the lack of legislated requirements or policy instructions.
5	Poor response from Micro, Small and Medium Enterprises (MSMEs)	MSMEs exhibit limited CSR participation, with challenges such as fluctuating profits, limited resources and a lack of professional approaches.
6	Changing role of the governments	Governmental roles in guiding and monitoring CSR implementation are crucial, but state governments sometimes misuse CSR funds for their own purposes.
7	Lack of initiative from Public Sector Units (PSUs)	Despite revenue increases, social sector development by PSUs is neglected, reflecting a lack of commitment to CSR.
8	Lack of monitoring and evaluation (M and E)	Lack of emphasis on M and E hindering the understanding of community engagement and limiting the intended impact of CSR initiatives.

**Source:** Data have been collected and highlighted from e-contents on CSR and SD of Indian economy

**Government Initiatives on CSR for the SD of Indian Economy**

India government mandates CSR through the Companies Act 2013, which requires companies to spend 2% of their average net profit on specified activities. Government-aligned initiatives include contributions to PM Cares and the Prime Minister's Relief Fund, support for the Swachh Bharat Kosh for sanitation and the Clean Ganga Fund for river rejuvenation. Other key government-promoted CSR for RD, with companies encourage aligning their projects with national missions viz, the National Health Mission and National Skill Development Mission.

**Government Mandate and Legal Framework Companies Act 2013**

India's pioneering legislation makes CSR mandatory for companies with a specific net worth, turnover or profit.

**Schedule VII**

This schedule of the Companies Act highlights the eligible CSR activities including poverty alleviation, education,

health, environmental sustainability and cultural heritage protection.

**Key Government-Aligned CSR Initiatives PM CARES Fund**

Companies can contribute to this fund for disaster relief and socio-economic advancement.

**Swachh Bharat Kosh**

Contributions to this fund support sanitation and the provision of safe drinking water.

**Clean Ganga Fund**

A dedicated fund for rejuvenating the river Ganga; companies can support there through CSR efforts.

**National Missions**

Companies can align their CSR projects with national priorities such as the National Health Mission and the National Skill Development Mission.

## CSR Activities under the Control of GOI for the fulfilment of SD Goals

### The activities are:

**Poverty and Hunger Eradication:** Initiatives focus on reducing hunger, poverty and mal-nutrition.

**Education and Skill Development:** Promotion of education, including scholarships and vocational training for employment.

**Healthcare and Sanitation:** Health camps, awareness programs and sanitation initiatives.

**Environmental Sustainability:** Projects related to forestation, water conservation and waste management.

**Rural and Community Development:** Support for infrastructure development and community empowerment in rural areas.

**Support for Vulnerable Groups:** Programs to empower women assist the elderly, orphans and the differently-abled.

### Policies and programs can be implemented on CSR activities in enhancing the SD of Indian economy

After the implementation of Section 135 of the Companies Act 2013 and from the analysis of CSR spends in the fulfillment of adequate standards and benchmarks in India, plenty of changes are required within the statute through amendments in the Act and also within the rules. The main points which are to be considered may be summarized as follows

- a. Most of the businesses have spent their CSR amount in education, healthcare, disaster management, women empowerment, etc. It recommends that better CSR activities can happen with the better and efficient utilization of resources.
- b. More and more participation of youth and students are required so that they will be sensitized about the CSR concepts and philosophy with the combined participation of professionals and executives from industry, NGOs and other implementing agencies so as to make the CSR programs more meaningful and impactful to the society at large in long-run.
- c. The Government should consider policies of rewarding and recognizing good CSR programs and practices to lead more voluntary participation of corporate houses in the CSR activities.
- d. It is seen that most of the CSR activities are directed either to the urban or semi urban areas. But we all know that India still is in 70 % of the rural areas. Hence, more thrust should be given in implementing CSR activities in rural entities also.
- e. The requirement of CSR activities mostly applicable to big industries only. Government should find out ways to bring MSMEs under the ambit of CSR for the equitable SD of India.
- f. Relationship between CSR and organizational identification process can be another area of research in enhancing CSR thoughts and culture. Organizations must involve most of their internal and external stakeholders in CSR implementation which will ultimately help in creating image and brand value.

The policies mentioned above will definitely provide a win-win opportunity for organizational and societal goal for long-term SD, which can only be achieved through collaborative efforts of all the stakeholders in long run.

## Concluding Remarks

The study suggests that CSR spending in the educational and environmental sectors significantly affect the Indian economy in achieving sustainable growth and development through alleviation of poverty, enhancement of per capita income, GDP, foreign currency earnings, FDI and employment opportunities, etc. Spending on the environment, education and RD can support India's effort in promoting SD in providing benefits to all particularly residents in rural areas having low per capita income, limited job opportunities, poor road and infrastructure facilities, limited access to education and health opportunities, limited investment in entrepreneurship, etc. The study also offers significant implications for concerned stakeholders to treat CSR funds as a supportive source for SD of the nation that can be measured in terms of GDP, per capita income, efficiency, employment index, etc. However, the successful integration of CSR into SD strategies must overcome concerns, such as lack of awareness, lack of uniform standards and potential conflicts of interest, etc., through transparent communication and interaction with the stakeholders of the entity. Therefore, CSR management is a pressing need and effective tool for sustainable economic development, contributing to the formation of a responsible, sustainable and socially oriented future. In realizing SD, enterprises must take the initiative to fulfill their social responsibilities, improve their corporate system and formulate SD strategies in daily management and corporate affairs. Enterprises should pay more attention to the capability assessment of the management and adopt a reasonable compensation incentive mechanism linked to the performance of CSR to promote the management to make more favorable decisions about the performance of CSR. Government departments should actively guide enterprises to fulfill social responsibilities in the areas of government subsidies and tax incentives, to form a good habit, strengthen the CSR laws and regulations. This study provides valuable insights for policymakers, businesses and stakeholders interested in promoting SD practices within the ambit of Indian enterprises. Moreover, the policy makers should encourage Research and Development Department of every sector to support sustainable environmental solutions for the long-term growth and prosperity of India. Furthermore, the government should arrange awareness programmes on sustainability and ecologically responsible consumerism to encourage consumers, commercial and civil society to support green enterprises on large-scale environment concerns in upcoming years.

### Limitations of the study

This paper has certain limitations as well. This study is conducted to India only and the nation is limited to infrastructure, educational opportunities, environmental protection, employability, etc. However, we believe that this study is insightful for other emerging economies. It also desires to learn more about CSR and SD for rural communities in India. CSR spending on RD in education, health and environment might benefit the long-term SD goals of Indian economy. The study is theoretical in nature; we might get different results if we consider the quantitative data on CSR practices in India.

### Scope for Further Research

The guidelines for future research include the following:

1. Studies that cover different countries and industries will provide a more complete view of the effectiveness of CSR initiatives on SD goals in the global context.
  2. In addition to quantitative data, future research should include qualitative studies to provide a deeper understanding of the impact of CSR initiatives on different social groups.
  3. Developing innovative methodologies for assessing the long-term impact of CSR initiatives can help organizations to achieve more accurate and reliable results in future.
17. Companies Act 2013 (amended) by Law and Justice Publishing Company, 2023.

## References

1. Bai Y, Wang D, Sun C, Zhang W. "Corporate social responsibility under the influence of management tone". *Finance Research Letters*,2025;75(106831):106831. <https://doi.org/10.1016/j.frl.2025.106831>.
2. Birkinshaw J, Bresman H, Håkanson L. "Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation". *The Journal of Management Studies*,2000;37(3):395–425. <https://doi.org/10.1111/1467-6486.00186>.
3. Boiko O. "Corporate social responsibility during martial law". European Business Association, 2022. <https://www.eba.com.ua>.
4. Bowen H. "Social responsibilities of the businessman". New York: Harper & Row, 1953, 270.
5. Kim J, Kim J. "Corporate Sustainability Management and its Market Benefits". *Sustainability*,2018;10:1455, doi: 10.3390/su10051455.
6. Herghiligiu, *et al.* "Sustainable Environmental Management System Integration and Business Performance: A Balance Assessment Approach Using Fuzzy Logic", *Sustainability*,2019;11:5311. doi: 10.3390/su11195311.
7. Devinney TM. "Is the socially responsible corporation a myth? The good, the bad, and the ugly of corporate social responsibility". *Acad Manage Perspect*,2009;23: 44-56.
8. Dobers P, Springett D. "Corporate social responsibility: discourse, narratives and communication", *Corp Soc Responsibility Environ Manage*,2010;17:63–69.
9. Dunbar C, Shi Y. "CEO risk-taking incentives and corporate social responsibility", *J Corp Finance*,2020;64:1–21.
10. Servaes H, Tamayo A. "The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness", *Management Science*,2013;59(5):1045–1061.
11. Oduro, *et al.* "Corporate social responsibility and SME performance: A meta-analysis". *Mark Intell Plan*,2021;40:184–204.
12. Brindha G, Devika P. "Corporate social responsibility for the sustainability of small enterprises". *Carbohydr Res*,2019;8:584–587.
13. Justyna C, Renata K, Marzena S. "Corporate social responsibility as a significant factor of competitive advantage- a case study of energy companies in Poland". *Energy Rep*,2022;8:7989–8001.
14. [www.google.com](http://www.google.com)
15. The Economic Times of India.
16. The Telegraph News Paper.