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Corporate Social Responsibility – A Key to India's Green Economy Transition

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Abstract

As part of the global action on climate change, India has committed to achieving net zero emissions by 2070. This commitment will not only help India achieve its environmental goals but also pave the way for a green economic transition, ensuring sustainable development in the future. However, to achieve these goals, businesses must join hands to implement social responsibility effectively and with focus. Corporate Social Responsibility (CSR) in India has gradually shifted from a charitable activity to a green development strategy, in compliance with Indian law. The article "Corporate Social Responsibility – A Key to India's Green Economy Transition" focuses on the current state of corporate social responsibility in India, its role in the path to green economy, and some recommendations to improve the effectiveness of CSR implementation in the context of India's green economic transition.

Keywords: CSR, India, green economy, strategy.

Introduction

India is a large country with a steadily growing economy and has implemented many important government initiatives such as the Make in India, Digital India, Skill India and the Clean Ganga Mission. However, despite the economic growth, the quality of life of Indian people has not improved significantly and social injustices have not been thoroughly addressed. According to WEF (2020, p.10), "It will take seven generations for Indians born into poor families to reach the middle income level". This shows that corporate social responsibility is not only a trend to enhance

corporate reputation or ethics, but also an effective way to share the financial burden and support the state budget.

Moreover, in the current context, India needs to move towards a sustainable green economy, which is in line with global trends and meets serious environmental challenges. The government needs to promote policies for renewable energy development, reduce pollution and encourage industries to move towards clean production. Businesses, especially large corporations, can play a significant role in promoting a green economy by committing to

reduce greenhouse gas emissions, adopting green technologies and engaging in environmental protection initiatives.

Thus, corporate social responsibility, when expanded to include environmental factors, is no longer a voluntary act but has become a mandatory requirement, playing an important role in the implementation of national goals. Corporations working with government and non-government organizations, with clear responsibilities under the law, are essential for sustainable development and social inclusion. In the future, corporate social responsibility in India will be increasingly taken seriously, developing more new initiatives and being closely linked to the development of the green economy.

1. Overview of Corporate Social Responsibility

1.1. Concept of Corporate Social Responsibility

Historically, businessmen and companies have voluntarily engaged in charitable activities, contributing to areas such as religion, education and the community, and improving their image. However, the concept of social responsibility only emerged in the 1950s in the form of “businessman’s duty” which is actually the ethics of businessmen to meet image values or social expectations.

In the 1991 Corporate Social Responsibility Pyramid model, Carroll proposed four levels of corporate responsibility. First of all, economic requirements are the foundation for the existence of a business. Without the ability to maintain operations and generate profits, a business will not be able to fulfill its higher responsibilities. Therefore, ensuring profits is an important factor that helps businesses move towards charitable activities and meaningful contributions. In addition, legal compliance is indispensable. If a business does not operate within the legal framework, its existence will be threatened, and therefore, the law becomes a mandatory requirement. In addition to these basic requirements, society expects businesses to act ethically. This means that businesses must not only comply with the law but also implement ethical standards in all their activities, ensuring that their behavior meets expectations of fairness, integrity and responsibility. Businesses must demonstrate respect for ethical values, although they are not required by any legal regulations. Finally, philanthropic responsibility reflects voluntary charitable activities that businesses engage in, such as donating money, assets, building infrastructure, or providing products and services to the community. Society expects businesses to clearly recognize the role of charitable participation, not only for their own benefits but also for the common goods, to promote the sustainable development of the community and society.

Thus, corporate social responsibility (CSR) can be understood as a commitment of an enterprise to provide its resources to serve economic goals legally as well as contribute to the common development and improve the quality of life of the whole country.

1.2. A brief history of Corporate Social Responsibility in India before 2013

Prior to 2013, Indian corporate social responsibility went through several stages of development, reflecting the changing mindset and cultural and ethical factors of the country.

The first phase, before 1914, was characterized by philanthropy and moral leadership. Prominent family businesses such as Tata, Birla, and Bajaj undertook many charitable programs to help the community, including building temples, providing food, and providing assistance during natural disasters. Thus, although there was no definition or model of CSR, many Indian family businesses

took the first steps towards the third level of Carroll’s pyramid individually.

During the period from 1914 to 1991, Mahatma Gandhi emphasized that economics must go hand in hand with morality, and only with social justice can people progress together. Gandhi also encouraged businesses to use their wealth and power to develop society in a fair and equitable way, especially in helping the poor and developing rural areas. “Working for equality means removing the constant contradiction between capital and labor. On the one hand, it means leveling the few rich people who own the majority of the national wealth. On the other hand, it will lift up millions of other starving proletarians.” (Gandhi, 1941, p. 25). In the context of a mixed economy, many businesses have actually approached social responsibility. However, corporate social responsibility during this period tends to stagnate, with no room for development. The common goal of sustainable development has been initially implemented but is not yet truly linked to the orientation of a green economy.

Finally, in the period after 1991 to before 2013, in the context of globalization and economic reforms, despite the lack of formal legislation, Indian companies clearly realized that CSR was not just a philanthropic act but a sustainable business strategy. Enterprises such as Hindustan Unilever adopted Carroll’s pyramid, combining commercial objectives with CSR initiatives such as providing clean water, sanitation, and energy conservation. CSR became an important factor in building corporate reputation and increasing competitiveness. Thus, CSR initially contributed to shaping strategies as well as contributing to the development path of India’s green economy .

2. Indian government policies on Corporate Social Responsibility

2.1. Corporate Social Responsibility Directive in India since 2013

In 2013, India became the first country in the world to require companies to spend at least 2% of their annual net profit for the previous three financial years on corporate social responsibility (CSR) activities. The Corporate Social Responsibility Directive under Section 135 of the Companies Act, 2013. The Directive, which came into effect from 1 April 2014, provides:

- a. All companies with a net worth of Rs 5 crore or more, or a turnover of Rs 10 crore or more, or a net profit of Rs 5 crore or more during the financial year shall constitute a Corporate Social Responsibility Committee under the Board of Directors consisting of three or more directors, including at least one independent director;
- b. The Board of Directors’ report shall specify the composition of the Corporate Social Responsibility Committee;
- c. The Corporate Social Responsibility Committee must:
 - develop and propose a corporate social responsibility policy to the Board of Directors which will specify the activities the company must undertake as set out in Annex VII
 - propose costs arising from this corporate social responsibility activities
 - continuously monitor corporate social responsibility policies;
- d. The company’s Board of Directors must:
 - after considering the proposal of the Corporate Social Responsibility Committee, the board of

- directors shall approve the corporate social responsibility policy and notify the content of this policy in the company's report and also post it on the website as prescribed, if any; and
- ensure activities are within policy and implemented in practice;
- e. The Board of Directors must also ensure that each fiscal year, the company uses at least 2% of the company's average net profit over the past 3 years to implement the company's corporate social responsibility policy.

2.2. Contribution of Corporate Social Responsibility in India to Green Economy

- a. Promoting a "process-centric" mindset in the transition to a green economy

Corporate social responsibility in India is enshrined in law along with the Chatterjee model which is really suitable for the world's most populous country, especially on its path to becoming a green economy. The ultimate goal of CSR is not only to ensure the sustainability of large corporations but also to move towards national agendas. It is clear that a green economy requires a balanced combination of economic development and the greenness or environmentalism of the country as a whole. Then, this requirement can only be achieved with the coordination between the government and businesses. At the same time, based on the "comply or explain" principle, businesses are required to spend a minimum of 2% on social responsibility or explain in their annual reports. The government will decide whether this explanation is valid or not, so companies really need to focus on the process. The "process-centric" mindset will certainly help the Indian economy transform from brown to green more quickly and smoothly because the green economy is not a short-term goal but a long-term, continuous process, even with certain obstacles.

- b. Invest in environmental protection, support green growth with the government

According to Table 1, in the period of 2018 - 2023, the number of companies participating in CSR remained above 20,000. The slight decrease in the number of companies, from 25,181 companies in 2018-19 to 24,392 companies in 2022-23, reflects the negative impact of the difficult economic context during the Covid-19 pandemic, but the total amount of money spent on CSR activities increased. Thus, companies still maintain, even more focus on activities that bring sustainable and positive values to the community. On the other hand, the number of CSR projects also increased sharply, demonstrating the diversification of initiatives and fields of companies in working with the government to promote sustainable development.

Further, the rural development expenditure has declined from 2434 Cr. Rupee in 2018-19 to 2005 Cr. Rupee in 2022-23. This could indicate that companies are shifting investments to other areas, or that the priority given to rural activities is decreasing amid new challenges of urban development and environmental protection. However, the decline is not entirely negative, as it reflects a strategic shift from rural to urgent environmental activities. The sharp increase in expenditure on environment and resource conservation, from 1705 Cr. Rupee in 2018-19 to 2921 Cr. Rupee in 2022-23, indicates a significant change in the CSR strategies of companies. Companies today are placing greater emphasis on environmental protection and climate change response, reflecting the global trends and growing demand for reducing the environmental impact of their business operations. Environmental protection activities not only help reduce negative impacts on nature but also create new opportunities for green industries, from renewable energy to energy-saving technologies. The main reasons for this shift are increasingly stringent environmental regulations globally, a shift in consumer behavior towards a greener one, and the urgent need for India to transition to a greener economy. Therefore, corporate social responsibility is also the responsibility of the country to transition to a greener economy.

Table 1: Corporate Social Responsibility Expenditure in India for the period 2018-23

Year	2022-23	2021-22	2020-21	2019-20	2018-19
Company Number	24392	19888	20840	22985	25181
CSR Spend Amount (INR Cr.)	29987	26580	26211	24966	20218
Number of states/federal territories	40	40	39	38	39
Project Number	51966	44425	39324	35290	32071
Number of fields	14	14	14	14	14
Rural development expenditure level (INR Cr.)	2005	1833	1851	2301	2434
Environmental spending and resource protection (INR Cr.)	2921	2909	1337	1805	1705

Source: Ministry of Corporate Affairs, 2025

<https://www.csr.gov.in/content/csr/global/master/home/home.html>

- c. *Tata – the combination of economic and green figures*

Corporations and companies such as HDFC Bank, Reliance, Tata, etc. are always among the top enterprises that focus on and spend large amounts of money on CSR, in which the economy and the green figure are gradually closely combined, ensuring the image and sustainable business strategy for the companies and reaching out to integrate into the world's green economy in the future. Over the past 150 years, the activities of Tata Trust have changed from a

conventional funding platform to a sustainable development strategy, in which "green" plays an important principle role.

In Tata's 10 core CSR principles, principle number 5 "Sustainable Development Principles - All CSR interventions will follow sustainable development principles - they will factor social, human rights and environmental impacts in their design and execution." (Tata, 2024) directly addresses environmental issues. At the same time, Tata is committed to implementing principles number 4 and number 9 to ensure that all company policies will go hand in hand with the domestic and international context as well as in

conjunction with other government and international organizations. Only by uniting and remaining steadfast on the path of responsibility can businesses integrate and meet today's green economic requirements.

By 2024, the Tata Trust will implement various programs to reduce air pollution, support the construction of solar-based irrigation pumps and home lighting systems and clean cooking systems, biogas applications, etc. The Trust's support programs have deployed up to 1,586 kWp of solar power capacity. Of this, 112 kWp is off-grid, 480 kWp is for solar irrigation systems and 1,004 kWp is for livelihood, education, health, etc. (Tata Trusts, 2025)

In 2023-24, Tata Motors has paid attention to the environment through two main methods: tree planting and raising environmental awareness among people. If before the period of 2021-22, the company's tree planting campaign only reached nearly 2 lakh saplings on average per year, then in the period of 2023-24, the number of trees planted reached more than 11 lakh (more than 5 times higher than the previous period), of which 90% were indigenous trees (Tata Motors, 2024, p.86). This clearly shows the progress in the campaign, the way of acting as well as the promotion of the environment of the company. In addition, more than 147 thousand people were educated about the environment, 72% of schools were green practices and 30% of paper bags were used instead of plastic bags, which are significant results in Tata Motors' green campaign (Tata Motors, 2024, pp.86-87).

3. Challenges in the process of building a green economy and proposed solutions

3.1. Challenges of CSR implementation for India's green economy goals

Although CSR is a step forward in creating a formal legal framework for Indian businesses, and the importance of the environment and green economic orientation is gradually becoming evident in corporate and government policies, CSR implementation still faces many challenges, leading to ineffectiveness in the process of moving towards green economic goals.

The first challenge is the lack of uniformity in CSR resource allocation. According to the annual CSR report, by 2024, only about 13% of the total budget will be allocated to environmental and sustainable development projects (CSR Box, 2024, p.14). Thus, although the proportion of projects directly related to the environment has increased, it is still quite low, while to achieve green goals, most projects require large amounts of capital and long implementation periods. This will also cause imbalances in green economic development goals.

The second limitation in implementing CSR in India is also part of the accountability mechanism. The technical capacity, ability to measure and assess the impact of businesses is not commensurate with the urgent green goals. Businesses find it difficult to invest in clean technology due to high initial costs, while small and medium enterprises are not covered by the law. Therefore, to implement CSR according to the law, large companies still limit their direct investment in environmental issues. On the other hand, the accountability mechanism allows businesses to explain their implementation or non-implementation of CSR activities while the government does not have enough accurate measurement indicators and a transparent integrated CSR reporting system. This leads to a lack of trust between businesses, the community and the government.

Finally, CSR has not been effective in supporting the green economic transition due to coordination issues among stakeholders. Each stakeholder has its own objectives and priorities, making it difficult to reach consensus. For example, businesses may focus on short-term profits, while communities and NGOs are concerned with long-term benefits and environmental protection. The lack of consensus on CSR among stakeholders can hinder the effective implementation of CSR initiatives. For example, the RBI has issued a green deposit framework and promoted a green financial ecosystem, but financial institutions have not kept up with the progress, so they have not effectively implemented green CSR projects related to investment and finance.

3.2. Proposed solutions

To address the challenges of implementing CSR in India towards a green economy, the government and businesses need to have closely coordinated, synchronous and innovative solutions. A specific solution is that the government can provide tax incentives and support loans for businesses participating in green initiatives. In addition, improving financial mechanisms to allow businesses to access capital for environmental projects more easily is essential. Incentives such as tax exemptions for investments in renewable energy, green technology, or emission reduction initiatives can encourage businesses to invest more heavily in sustainable projects. From there, businesses can proactively combine their green investment, production and consumption activities with the CSR activities that need to be implemented.

The government needs to develop a transparent and public reporting system on CSR activities, especially environmental initiatives. An independent audit mechanism to validate and evaluate the effectiveness of CSR implementation by businesses will help increase transparency and reduce the risk of corruption. The government should also encourage businesses to publish more detailed and regular CSR reports to ensure that stakeholders can properly monitor and evaluate the environmental protection efforts of businesses. Currently, the website <https://www.csr.gov.in/> has initially provided information and data on CSR in India, but the access process is still difficult and the data is incomplete.

Finally, to overcome the challenge of lack of coordination among stakeholders, the government needs to take a proactive role in connecting businesses, NGOs and the community. One solution is to organize forums, workshops, and regular meetings between the parties to discuss CSR strategies and green initiatives. Businesses need to realize that the long-term benefits from environmental protection will bring sustainable value to them, instead of focusing only on short-term profits. The government should also develop mechanisms to support public-private partnerships (PPPs) to promote the participation of both large and small businesses in environmental protection initiatives, thereby creating a favorable environment for CSR implementation or even just to prepare the mindset for CSR activities. Only when the understanding of CSR activities is widely disseminated will businesses voluntarily implement and find the most effective ways to implement them.

Conclusion

Corporate Social Responsibility (CSR) in India is playing an increasingly important role in promoting a green economy, especially in the context of environmental and sustainable development challenges. While significant strides have been made in developing a regulatory framework and CSR initiatives, India still has many challenges to address, such as uneven resource

allocation, lack of impact measurement capabilities, and lack of coordination among stakeholders. The government and businesses need to work more closely together to develop effective CSR strategies, ensuring that CSR activities not only support economic development but also promote environmental protection. Only with concerted action from all stakeholders can India achieve its goal of transitioning to a sustainable green economy.

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