

## Corporate Social Responsibility in India: Legal Evolution, Policy Gaps, and the Path Forward

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### ABSTRACT

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### 1. INTRODUCTION:

Corporate Social Responsibility (CSR) in India has developed from philanthropic traditions into a legal and policy instrument designed to ensure businesses contribute positively to society alongside their profit-making pursuits.<sup>[1]</sup> With the enactment of the Companies Act, 2013, India became one of the first countries to mandate CSR for qualifying companies.<sup>[2]</sup> This article critically examines the progress, implementation challenges, and efficacy of India's CSR legal framework, highlighting its intersection with labour rights, consumer protection, and environmental regulation.

#### The Legal Framework of CSR in India

Section 135 of the Companies Act, 2013, along with Schedule VII, compels qualifying companies (based on net worth, turnover, or profit thresholds) to allocate at least 2% of their average net profits to mandated social initiatives.<sup>[3]</sup> This approach attempts to institutionalize ethical responsibilities within corporate governance, directly involving companies in national agendas on social development and sustainability.<sup>[4]</sup>

However, beyond its statutory obligations, CSR in India is shaped by judicial interpretations, government policies, and the interplay of multiple statutes—ranging from the Factories Act, 1948 (regulating labour) to the Environment Protection Act, 1986.<sup>[5]</sup>

#### CSR and Labour Welfare

CSR ideally serves as an additional layer to existing labour laws, promoting fair wages, safe working conditions, and gender equality beyond statutory minima.<sup>[6]</sup> Yet, persistent gaps exist between the legislative intent and actual corporate practices. While statutes such as the Minimum Wages Act, 1948, and the Code on Wages, 2019, lay down baseline protections, effective enforcement remains inconsistent.

**Case Example:** In *Peoples Union for Democratic Rights v. Union of India*, the Supreme Court highlighted the fundamental duty of both state and corporations in upholding labour standards.<sup>[7]</sup> Although not directly

addressing CSR, the judgment frames the context in which CSR and statutory obligations intersect.

Despite the growing advocacy for labour-centric CSR, violations—sweatshop working conditions, lack of collective bargaining, incidence of child labour—continue, especially in multi-tiered supply chains with weak monitoring.<sup>[8]</sup> Initiatives such as pay audits and inclusive workplace policies remain best practices, but legal enforcement is the pivot for meaningful change.

#### CSR, Consumer Protection, and Business Ethics

The Consumer Protection Act, 2019, provides the statutory backdrop for corporate responsibilities towards consumers—mandating fair practices, safety, and transparency.<sup>[9]</sup> CSR obligations reinforce these duties by encouraging ethical marketing, data protection, and proactive redressal mechanisms.

**Case Example:** The Kerala High Court, in *Hindustan Coca-Cola Beverages Pvt. Ltd. v. Perumatty Grama Panchayat*, revoked the license of a bottling plant for environmental violations affecting consumers, demonstrating the judicial recognition of ecological and consumer rights as entangled domains of CSR.<sup>[10]</sup>

Today's businesses must adapt to increasing consumer awareness, particularly in the digital economy, by embedding robust cybersecurity, honest advertising, and transparent grievance redressal into their CSR strategies.

#### Environmental Stewardship and CSR

Corporate accountability for environmental impact is now a central CSR concern. Indian companies are bound under statutes like the Air (Prevention and Control of Pollution) Act, 1981, and must also respond to global sustainability discourses.<sup>[11]</sup> CSR initiatives aligned with these laws can promote resource efficiency, pollution reduction, and biodiversity conservation.

**Case Example:** In *M.C. Mehta v. Union of India*, the Supreme Court stipulated the polluter pays principle and sustainable development as core business obligations, aligning statutory compliance with CSR objectives.<sup>[12]</sup> Notwithstanding, enforcement gaps and greenwashing persist.

## Key Challenges in CSR Implementation

Despite legislative progress, current CSR laws are limited by:

**Voluntary Compliance and Weak Enforcement:** Many CSR initiatives remain voluntary or loosely monitored. The risk of superficial compliance (greenwashing, CSR-washing) undermines actual societal benefit.<sup>[13]</sup>

**Fragmentation between Legal Frameworks:** Labour, consumer, and environmental laws often operate in silos, constraining coordination and holistic CSR strategies.<sup>[14]</sup>

**Inadequate Stakeholder Engagement:** Marginalized communities, workers, and civil society are often excluded from CSR planning, reducing its relevance and impact.<sup>[15]</sup>

**Equity Issues and Urban-Rural Gaps:** CSR spending is frequently concentrated in urban sectors, neglecting rural and vulnerable groups.<sup>[16]</sup>

**Lack of Standardized Metrics:** Without uniform impact assessment tools, measuring the real progress of CSR programs remains a challenge.<sup>[17]</sup>

## Comparative and Contemporary Developments

India's statutory approach to CSR is unique compared to many global jurisdictions where CSR remains voluntary

or governed by soft law (e.g. OECD, UN Principles).<sup>[18]</sup> However, the global trend towards Environmental, Social, and Governance (ESG) criteria is nudging Indian corporations towards integrated reporting and more verifiable social impact.<sup>[18]</sup>

## Conclusion and Recommendations

CSR in India exemplifies a transition from voluntary, philanthropic gestures to legally enforceable social obligations. Nevertheless, for CSR laws to genuinely enhance social outcomes, the following measures are crucial:

Strengthen legal mandates and enforcement mechanisms.

Foster cross-sectoral integration between labour, consumer, and environmental laws.

Enhance stakeholder participation and transparency.

Create standardized tools for measuring CSR impact.

India's ongoing CSR journey underscores the need for constant reforms, innovative monitoring, and collaborative governance involving businesses, government, and civil society. Done right, CSR can transcend "box-ticking" to become a transformative lever for equitable and sustainable development..

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