

Ownership Structure and CSR: The Role of Promoters in Indian Manufacturing Firms

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ABSTRACT

Indian Companies Act, 2013, transformed the concept of Corporate Social Responsibility (CSR), previously a voluntarily engaged practice, into a mandatory corporate responsibility. The extant literature has analysed the effect of mandatory CSR practices in the context of Indian corporations; however, very little is known regarding the mandatory CSR from a strategically integrated corporate responsibility concept, especially within promoter-owned firms. The current study, focusing on the Tata Steel, Larsen and Toubro (L&T), and Reliance Industries firms, incorporates a comparative longitudinal approach to examine the impact of promoter-owned firms on the CSR practices during the period from 2021-2024. By relying on secondary data and adopting descriptive, correlation, and regression analysis, the study attempts to differentiate between compliance-oriented and strategic approaches to CSR on the basis of CSR expenditure in relation to profitability and ownership. The study concludes that although net profitability remains the key factor in determining the actual expenditure incurred on CSR, the aspect of promoter ownership emerges as critical in determining the depth of CSR. Tata Steel and Reliance Industries, which are driven by legacy and strong promoter influence, show significantly higher levels of CSR expenditure with greater deviations from minimum compliance levels, indicating higher levels of strategic orientation toward CSR. In contrast, professionally managed companies with dispersed or institutional ownership, like L&T, tend to be compliance-oriented, almost mirroring minimum compliance norms. Furthermore, the study also suggests a negative relationship between institutional and public shareholding, and CSR intensity, implying that, in India, institutional as well as public investors do not exert considerable pressures for enhanced CSR engagement.

Keywords: Promoter Ownership, CSR, Manufacturing firms, Corporate Governance

INTRODUCTION

In emerging economies, where rapid industrialization, regulatory transformation and increased levels of stakeholder expectations have transformed the role of business in society, Corporate Social Responsibility (CSR) has become a major component of corporate strategy. The firms in the emerging economies tend to work in settings that are marked by institutional voids, social disparity, and pressure to the environment compared to the developed markets that have largely developed CSR through voluntary and market-driven processes. In this, CSR is not only a means of engagement with the stakeholders but also a significant means of responding to the issues of development and promoting the legitimacy of the corporation. India is a distinct institutional context because it was the first country with the largest economy to require CSR expenditure by passing the Companies Act, 2013. The Act under section 135 applies that the qualifying

firms should set aside at least two percent of their annual average net profits to CSR activities. This regulatory intervention modified CSR as a voluntary and more philanthropic undertaking, to a formal and compliance-based corporate responsibility. Though the compulsory scheme has substantially enhanced the aggregate CSR expenditure in India, previous literature indicates that companies vary a lot in their interpretation and application of CSR which may be either in the form of little compliance based expenditure to more focused CSR programs built into their strategic planning.

The structure of ownership is very important in determining the corporate priorities, the decisions made in regard to resource allocation as well as the orientation of the stakeholders. Promoters ownership in the Indian corporate scenario still constitutes a characteristic of firm governance especially with large business groups and family owned businesses. Excessive promoter ownership may affect managerial discretion, risk aversion and proactive strategic orientation. Governance-wise, there are more chances that promoter-dominated firms are more focused on control and financial performance, which can influence how much CSR is applied as a strategic investment, as opposed to a regulatory obligation. Although promoters are central to the Indian corporate governance, there is limited empirical evidence regarding the specificity of the influence of promoter ownership on CSR practices nature and orientation. The manufacturing industry in particular is important in studying such dynamic because it has significant environmental and social externalities. Contributions of manufacturing companies to carbon emissions, use of resources, industrial pollution and intensive labor-based practices make their CSR practices especially significant with regard to sustainable development and benefits of communities. Major manufacturing enterprises are getting more attention by regulators, local populations, and civil society, which puts the strategic significance of CSR as a legitimacy and risk management instrument at a premium. The current research is based on major Indian manufacturing companies, such as Tata Steel, Larsen and Toubro (L&T), and the Reliance industries, which are capital-intensive and highly impactful industrial processes with serious environmental and social footprint. These firms provide an appropriate and policy-relevant context to examine whether mandatory CSR has evolved from symbolic compliance toward more strategic forms of corporate responsibility under varying levels of promoter ownership.

LITERATURE REVIEW

1. **Tianjing Liu et al 2025** This paper investigates the relationship between the ownership structure and the corporate social responsibility (CSR) investment including the mediating factors that include analyst coverage. The study focuses on panel data of Chinese A-share listed companies in the period of 2012-2020 and is based on the regression analysis of the impact of ownership concentration and ownership balance on CSR investment, controlled by the firm-specific characteristics. The results indicate that the ownership structure has a strong impact on CSR investment: the more balanced shareholding structure a firm has, the more it invests in CSR and state-owned enterprises (SOEs) invest more in CSR than non-SOEs. Besides, this is partly mediated by the analyst coverage which promotes the external monitoring and transparency. The study has limitations such as its emphasis on Chinese listed companies which might not be generalized as the study and the omission of qualitative factors like the corporate culture and leadership qualities which might also influence the CSR behavior.
2. **Helmi A. Boshnak et 2025** This paper gets to examine how firm-level variables are connected to corporate performance, and the aim of the paper is to get to know how governance and structural variables determine performance of an organization. The study uses secondary panel data and quantitative econometric methods to test the postulated relationships and exclude the effects of other

relevant firm-specific variables on the relationships. The results indicate that the factors studied statistically influence the behavior and performance of firms, which conform to the theoretical views of the study. Nevertheless, some limitations are associated with the study such as the use of secondary data, possible measurement limitations, and a sample that is limited to a particular context that can be a limitation to the generalization of the results. The analysis could be expanded in future studies with an inclusion of more variables, other methodologies, or larger datasets.

3. **Rayed Obaid Hammond Alobaid et al 2024** The paper examines critical factors relating to sustainability and their responsibility concerning organizational performance and it is with an aim of identifying how strategic, environmental and governance factors determine sustainable performance. The study is quantitative and has applied secondary data and statistical data analysis as the research methodology to test the proposed relationships between the variables. According to the findings, the specified sustainability and governance variables play an important role in the performance of the firms, which proves the need to consider sustainable practices as an essential part of corporate strategies. However, the research has its weaknesses including the use of secondary data, impossibility to quantify everything as well as sample being restricted to single scenario, which might limit the extrapolation of the findings. The limitations can be resolved in future through the use of primary data or expanding the area of sample or through alternative approaches.
4. **Satish Kumar et al (2023)** in their research work titled Does mandatory CSR expenditure regulation matter to promoters? Empirical evidence from India examines if mandatory CSR expenditure has an influence on promoter behaviours in firms. The main objective is to investigate the relationship between promoter ownership and compliance with CSR spending as under Section 135 of the companies act 2013 requiring 2% of average net profits on social activities. Findings reveal negative promoter ownership and actual CSR link and positive Promoter ownership Non-Compliance CSR association which highlights that promoters treat CSR as a cost.
5. **Gayas Ahmad et al 2023** This paper is a study of how corporate social responsibility (CSR) expenditure is related to earnings management with special reference to the moderating effect of ownership structure in Indian companies. The hypothesis is to determine the impact of various ownerships, Indian promoters, foreign promoters and institutional promoters, on the CSR-earnings management nexus. The research utilizes the panel data of the non-financial companies listed on the BSE 100 Index over the years 2015-2020 to conduct the respective analysis using the fixed-effectives regression models on the accrual-based and real earnings management. The results indicate that CSR expenditure is linked with real earnings management in companies that have Indian promoters and weaken when institutional and foreign ownership are involved, showing that these companies are better monitored. The study is however limited by the fact that it uses secondary data, is in a single emerging economy, and does not include financial firms which might limit the application of the results to other firms.
6. **Jeevesh Sharma et al 2021** The research question in this study is how firm ownership affects corporate social responsibility (CSR) expenditure and disclosure practices of non-financial firms listed in S&P BSE Carbon exchange index. The first one is to examine differences in the patterns of CSR spending and disclosure between the public and private sector firms and determine which CSR activities are given more or less attention. As a descriptive analytical research design, the study will be based on secondary data that is gathered through annual reports, web sites of companies, the Prowess IQ database and NSE CSR database between the year 2017-2019. It has been found that,

though both the public and the private firms adopt mandatory CSR requirements, they mostly concentrate on education, health and skill development needs, with a relatively low concentration on the needs of disaster management and war veterans welfare, sports and environmental protection. The research is, however, limited by the use of secondary data, a short period of time, and a sample that is limited to the CarbonEx listed non-financial firms and this might be limiting the generalization of the findings.

PROBLEM STATEMENT

Notwithstanding the implementation of mandatory CSR in India, there is still considerable variation in the way companies design, implement, and integrate CSR into their overall corporate strategies. Although the legal framework in the Companies Act, 2013, has been successful in encouraging overall CSR expenditure, there is still a concern about whether the overall expenditure is a demonstration of strategic commitment or mere compliance with the legal requirements. The existing literature has mainly concentrated on the determinants of CSR expenditure, with little emphasis on the qualitative orientation of CSR practices, such as their strategic integration, continuity, and alignment with long-term stakeholder engagement. Although India's mandatory CSR framework has increased corporate social responsibility spending, there is limited evidence on whether such spending reflects strategic integration or mere regulatory compliance, particularly in promoter-dominated firms. The promoter ownership has a very critical role in influencing strategic decision-making in the Indian manufacturing sector where firms cause serious environmental and social externalities. Nevertheless, the existing researches concentrate mainly on the levels of CSR expenditure and lack proper examination of the issue concerning the role played by the promoter ownership in the orientation and strategic character of CSR practices. Consequently, there is lack of knowledge whether promoter-controlled manufacturing companies adopt CSR as a strategic responsibility or as a means of obligation that is mostly driven by compliance. This paper fills this gap by discussing how promoter ownership influences the CSR practices of Indian manufacturing companies. Based on the above evidences the research framed research questions to find out the role of promoter's holding in manufacturing sector.

- Does the ownership of promoters have an impact on the amount and quality of CSR activities?
- Do promoter dominated firms have a greater tendency to practice symbolic compliance?
- Is there a change in CSR orientation depending on the promoter ownership?

In order to answer the above set of questions research objective were framed and analysis were incorporated.

RESEARCH OBJECTIVES

- To examine the impact of promoter ownership on CSR practices in selected Indian manufacturing firms.
- To distinguish between compliance-oriented and strategic CSR practices in the manufacturing sector.
- To assess whether higher promoter ownership is associated with a greater likelihood of compliance-driven CSR rather than strategic CSR.

RESEARCH METHODOLOGY

The research design employed in the study is the quantitative research design to determine the relationship between the independent and dependent variables by transforming variables such as promoter ownership,

CSR practices and ROI and ROA into measurable indicators that can be statistically tested. The research methodology incorporates descriptive statistics, correlation analysis and regression analysis. The research article is based on secondary data collection and the data were collected from annual reports of selected manufacturing companies. There were 4 companies selected for the study on the basis of Tata Steel, Larsen and Toubro (L&T) and Reliance Industries, with the help of these companies, the study is able to analyze in depth the orientation of CSR with the promotion structure under diverse ownership. The period of the study is limited to four years from 2021-22 & 2022-23 & 2023–2024. This research is based on a comparative longitudinal with a case study approach to data collection, where the researcher analyses the impact of promoter ownership on the practice of CSR in major manufacturing companies in India. The design enables those within-firm analysis across time as well as cross-firm comparison, which is more enlightening than cross-sectional designs.

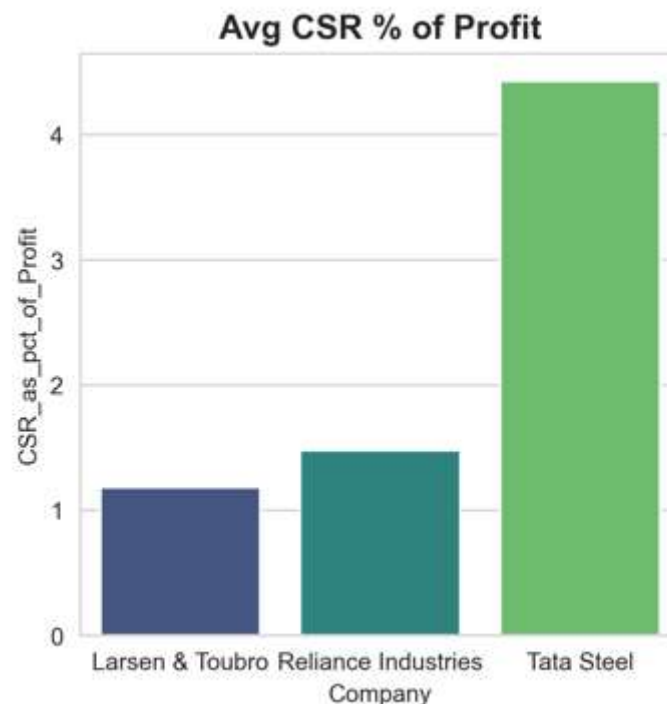
SAMPLE SELECTION

The sample involves 3 giant Indian manufacturing companies:

- Tata Steel Limited
- Larsen & Toubro Limited (L&T)
- Reliance industries Limited.

Such firms were chosen because of their high levels of manufacturing, large levels of externalities in the environment and in society, Intense visibility and reporting of CSR practices and unique promoter group and business group governance.

Exhibit 1
Analysis of the CSR activities in selected companies



The chart above shows that the tata steel Company has the highest average CSR% of profit as compared to the reliance maintains moderate levels and L&T has the lowest CSR percent of profit compared to the other two. It means that CSR is not different only due to the ownership of promoters but also other factors such as corporate philosophy, and historical legacy. Tata Groups institutional ethos probably goes further than statutory requirements in strengthening CSR.

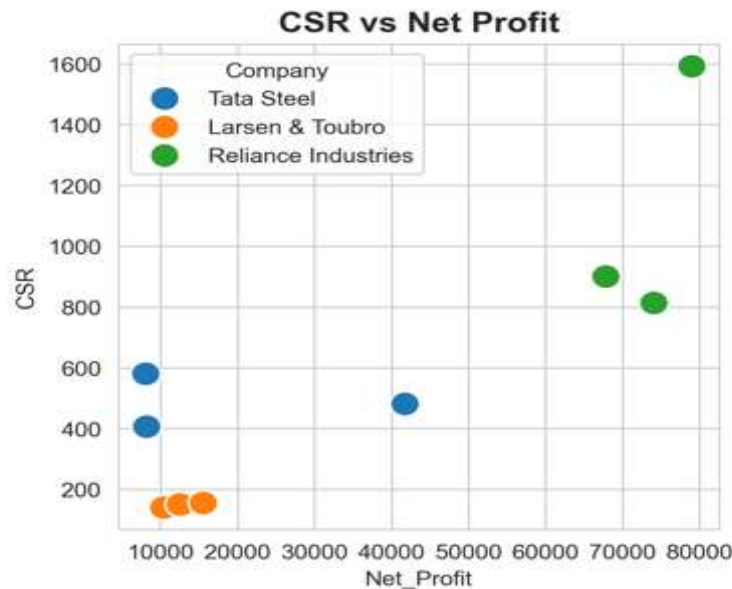
FINDINGS AND DISCUSSION

Table 1: Regression result for CSR to Profit and Promoters

==== Regression: Absolute CSR ~ Profit + Promoters ====						
	coef	std err	t	P> t	[0.025	0.975]
const	45.0092	142.634	0.316	0.763	-304.003	394.022
Net_Profit	0.0075	0.005	1.644	0.151	-0.004	0.019
Promoters	962.9145	628.814	1.531	0.177	-575.739	2501.568

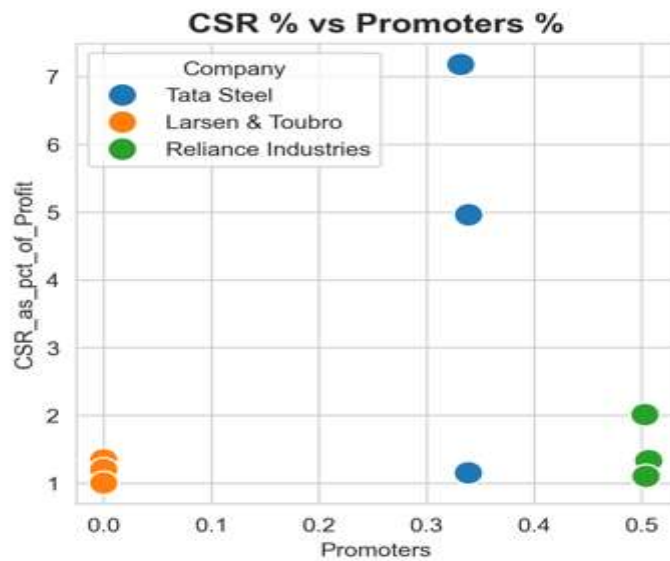
Source: Author Compilation

**Exhibit 2
Scatter Plot for CSR vs Net Profit**



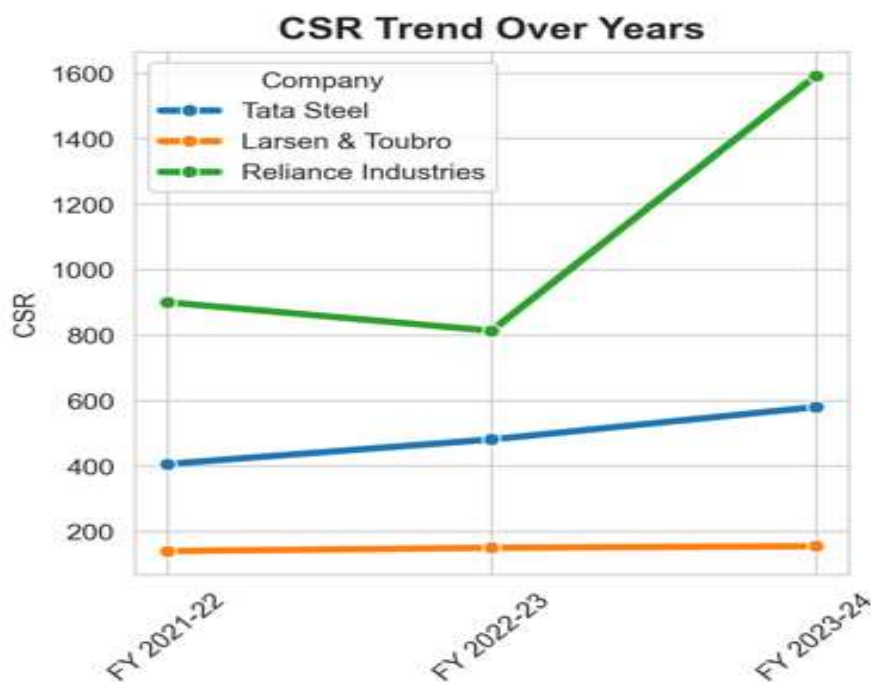
The scatter plot (CSR vs Net Profit) provides an evidence of a positive and strong relationship between profitability and CSR expenditure. Industries whose net profits are highest display the largest CSR spending, Tata steel displays moderate profit levels with higher percentage of CSR allocation in comparison with other industries and L&T has a constant but, relatively, lower CSR spending. This uses the fact that Indian Manufacturing companies are mostly in compliance with the Section 135 of the companies act (2013) that requires CSR expenditure of 2% of average net profits.

Exhibit 3
Scatter plot for CSR vs Promoters



Even with moderate promotion (33 per cent) Tata Steel has a higher CSR in terms of percentage of profit. High proportion of promoters in industries (50-80) still have moderate CSR of the companies and L&T with no promoter holding records lower intensity of CSR. It means that the greater the promoter ownership, the greater the CSR intensity is not always, but the ownership concentration seems to have an impact on the strategic orientation of CSR but not only on the quantum.

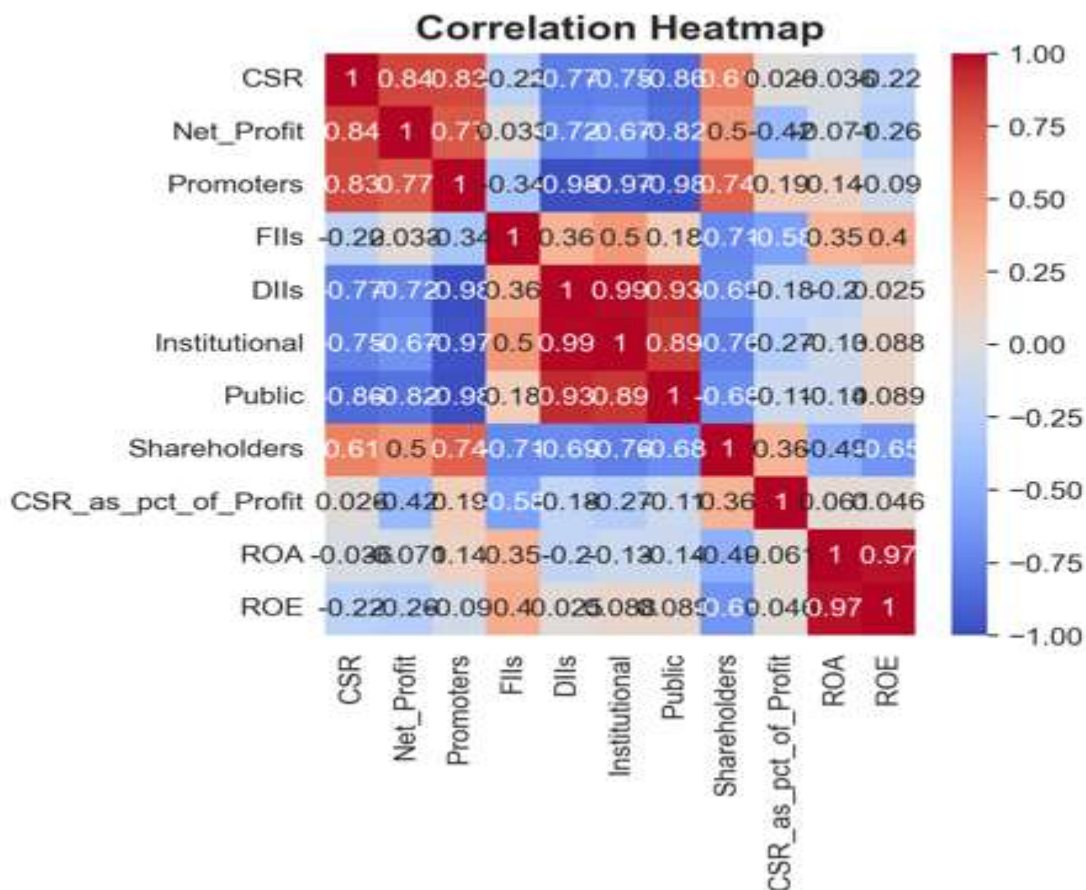
Exhibit 4
Line graph for CSR trend over years



The CSR trend, from FY 2021–22 to FY 2023–24 shows plans for each company. Reliance Industries has a jump in CSR spending in FY 24. The CSR jump shows that Reliance Industries is putting a lot money

into projects while its profit goes up. Tata Steel has a rise in CSR money in each of the three years. The steady CSR rise shows that Tata Steel is keeping a long term plan for CSR not just reacting. Larsen & Toubro has a slow rise, in CSR money. The slow CSR rise shows that Larsen & Toubro is mostly following rules and adding a little each year. In general the pattern shows that promoter-driven firms, promoter-driven firms that have most of the ownership, in the hands of a few and think about the future are going past just following the law. Promoter-driven firms are making CSR a regular part of the strategy of promoter-driven firms. When profit goes up CSR also goes up. Promoter-driven firms use CSR as a way to run the business and protect the reputation of promoter-driven firms. CSR is no longer a rule that must be paid for.

Exhibit 6
Correlation heatmap for all the variables



Based on the correlation analysis there is a relationship between CSR spending and net profit. The correlation analysis shows that firms with profit tend to allocate money to CSR activities. Also there is a link, between promoter shareholding and CSR. The correlation analysis suggests that higher promoter ownership leads to CSR commitment. In addition to that domestic institutional investors and DII holdings are linked to CSR spending. The correlation analysis reflects that these investors focus on long term strategy and stakeholder goals. the FII shareholding shows a slightly negative link, with the CSR as a percentage of profit. This means the foreign investors may prioritize short-term returns over social investment. The findings support the idea that the domestic ownership structures, the promoters and the DIIs are closely linked to steady and planned CSR work, in the Indian manufacturing firms.

Table 2
Regression results for CSR to Shareholder patterns

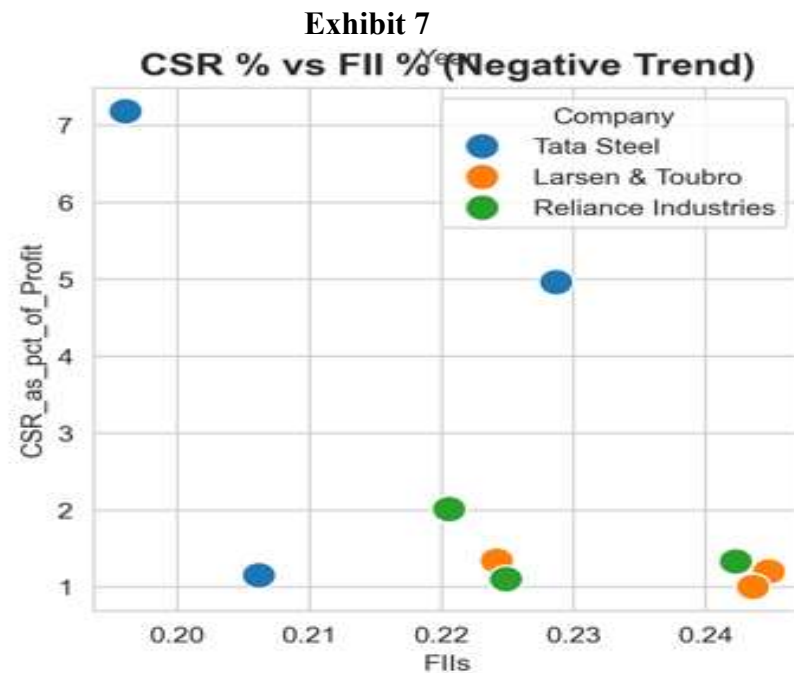
==== Regression: CSR % ~ FII + DII ====						
=====						
	coef	std err	t	P> t	[0.025	0.975]

const	19.5807	9.993	1.960	0.098	-4.870	44.032
FII	-77.0118	46.621	-1.652	0.150	-191.090	37.067
DII	0.6690	8.192	0.082	0.938	-19.375	20.713
=====						
==== Regression: CSR % ~ Institutional ====						
=====						
	coef	std err	t	P> t	[0.025	0.975]

const	5.0457	3.746	1.347	0.220	-3.813	13.904
Institutional	-5.6774	7.767	-0.731	0.489	-24.044	12.689
=====						
==== Regression: CSR % ~ Public ====						
=====						
	coef	std err	t	P> t	[0.025	0.975]

const	2.8405	1.785	1.591	0.156	-1.380	7.061
Public	-1.9454	6.553	-0.297	0.775	-17.440	13.549
=====						

Source: Author Compilation



Promoter holding shows a strong positive correlation with absolute values of CSR spend and CSR spend as a percentage of the total profit, indicating that Tata and Reliance spend more on CSR compared to professional management companies like L&T. FII percentage shows a negative correlation with CSR % (-0.58 overall). The plot ‘CSR % vs FII %’ shows Tata Steel, a company with a high level of CSR spend and a relatively lower level of FII equity, and L&T, a company with a relatively higher equity holding by FII in later years and a lower level of CSR spend, respectively. Most noticeably, DII and institutional holding exhibit a strong negative correlation between -0.75 and -0.77 . This shows a lack of interest on the part of the Indian mutual fund industry, insurance companies, and banks in enhancing CSR spend. Public and retail shareholders exhibit the highest negative correlation (-0.86). This shows a lack of interest on the part of the Indian retail investors in enhancing CSR spend, although on the face of it, this seems paradoxical, as one would normally expect the interests of the retail shareholder to be aligned towards ESG considerations.

CONCLUSION

purpose of the current study was the investigation and analysis of the influence of the ownership of the promoter on the extent and nature of Corporate Social Responsibility (CSR) activities within Indian manufacturing firms under a mandatory regime of CSR in the country. A comparative longitudinal approach was followed in the current study with a focus on Tata Steel, Larsen & Toubro (L&T), and Reliance Industries from the period of 2021-2024. The results indicate that, though net profitability is the key influence on absolute values of CSR expenditure, the structure of ownership played a critical role in defining the intensity and strategy of CSR. Firms with higher promoter influence, such as Tata Steel or Reliance, where there is legacy-based governance, reveal higher spending on CSR than the minimum required. On the other hand, firms with professionally managed groups, wherein the majority of the ownership is with institutional investors, such as L&T, comply strictly with the minimum required level for CSR. Moreover, the negative linkage between institutional and public shareholding and CSR intensity further suggests that, in the Indian setting at least, even external shareholders do not presently push for intensification and strategic integration of CSR engagement. Overall, these findings imply that mandatory

regulation of CSR causes a rise in the level of CSR spending, though not necessarily leads to its integration. Promoter ownership, organizational tradition, and governance philosophy are all vital factors governing the question of whether CSR is pursued strategically or otherwise. This study helps to contribute to the corporate governance and CSR literature by showing that, even in a regime of mandatory CSR disclosure and spending, the nature of ownership can have significant implications for the strategic role of CSR. The study stresses the importance of designing policies and ESG practices that go beyond mandatory spending to encourage outcome-focused and strategically aligned CSR activity.

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