

Corporate Social Responsibility and Environmental Sustainability in India: Legal Loopholes and Implementation Challenges

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Abstract

India's Corporate Social Responsibility (CSR) framework under Section 135 of the Companies Act, 2013, was a pioneering step toward involving the corporate sector in social development, positioning India as the first country to legally mandate CSR expenditure. The law aimed to involve companies in social and environmental development. However, its impact on environmental sustainability has been limited. Many companies treat CSR as a formality, focusing on spending money rather than achieving real results. The lack of clear definitions, weak monitoring, and poor accountability allows misuse and greenwashing. This paper discusses the main legal gaps, challenges in implementation, and the mismatch between CSR Projects and India's national environmental goals. It also compares India's national environmental goals. It also compares India's system with global practices that emphasise results and transparency. The study suggests legal reforms, stronger evaluation methods, and enhancing coordination among the government, companies, and communities to make CSR a genuine tool for protecting the environment and promoting sustainable growth.

Keywords: Corporate Social Responsibility (CSR), Environmental-Sustainability, Implementation Challenges, CSR Framework, Greenwashing, Sustainable development, Environmental Governance.

Introduction

Corporate Social Responsibility in India underwent a paradigm shift with the enforcement of Section 135 of the Companies Act, 2013.³ Companies meeting specific financial thresholds are mandated to spend at least 2% of their average net profits on CSR activities, with environmental sustainability included under Schedule VII of the Companies Act, 2013.⁴ The intent was to align corporate profits with social and ecological good. However, while legally mandatory, the CSR regime has not significantly contributed to environmental sustainability, largely due to regulatory and operational gaps. Research into the practicalities of compliance reveals that companies often operate under divergent perceptions of what CSR truly entails. While Central Public Sector Enterprises (CPSEs) often view CSR as a moral and ethical duty

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³ Companies Act, 2013, § 135.

⁴ Companies Act, 2013, Schedule VII.

to 'give back' to society, a concept known as 'philanthropic CSR', private companies tend to adopt a 'strategic CSR' approach.⁵ In this strategic model, environmental and social projects are primarily viewed as a means to gain a 'social license to operate' and improve brand reputation rather than as ends in themselves. This distinction suggests that for many private firms, environmental sustainability is a tool for long-term financial performance rather than a genuine ecological commitment.⁶ This article explores the evolving nature of CSR in India, critically evaluates the legal provisions related to environmental responsibility, and investigates the actual outcomes of CSR implementation.

Historical Evolution of CSR in India

The tradition of socially responsible business practices in India is as ancient as Indian civilisation itself. Historical and mythological records contain several examples of businessmen who contributed to the welfare of society. In earlier times, traders and merchants were actively involved in public service, including constructing ponds, feeding the poor, building temples, and supporting orphanages. These efforts were largely inspired by religious beliefs, charitable intentions, and a sense of moral duty.⁷ Similar patterns of social responsibility were also evident during the medieval period.

With the Industrial Revolution in Europe during the eighteenth century, business operations expanded significantly, leading to the establishment of large industries. These growing enterprises began to have a wider influence not only on their employees but also on consumers and the surrounding community. Over time, their size and impact increased, extending even beyond national boundaries.⁸

India too experienced the rise of major business organisations and industrial houses such as Tata, Birla, and Bajaj. These companies not only developed large-scale manufacturing units and generated substantial profits but also became actively involved in social development initiatives related to education, health, and community welfare. Many of these business leaders played an important role in India's freedom movement. Until independence, Indian industrial houses, along with British companies operating in India, were the main contributors to social welfare.⁹ During this period, CSR activities were largely voluntary and were driven by religious values, philanthropic spirit, community service, and nationalist sentiments. In the years following India's independence, the country adopted a mixed economic model. During this period, major emphasis was placed on strengthening public sector organisations in order to promote social and economic development and to build a self-reliant nation. However, after economic liberalisation, the business environment changed significantly. Multinational and foreign companies began to play a dominant role in the Indian economy, while the influence of the public sector gradually declined. Many multinational corporations shifted their operations to developing countries where labour and production costs were lower, and governments offered attractive incentives for foreign investment.¹⁰ In such countries, regulatory and institutional mechanisms were often weak.

⁵ Akanksha Singh-Jumde & Nishant Kumar, Compliance and Enforcement Challenges under India's CSR Law, 23 AUSTL. J. ASIAN L. 41, 46 (2022).

⁶ *Id.* at 45.

⁷ Pushpa Sundar, Business and Community: The Evolution of Corporate Social Responsibility in India, 40 ECON. & POL. WKLY. 4033, 4034–36 (2005).

⁸ Archie B. Carroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders, 34 BUS. HORIZONS 39, 40–42 (1991).

⁹ Abhishek Mukherjee & R. Alok Mishra, Corporate Social Responsibility in India, 6 J. BUS. ETHICS 1, 3–5 (2014).

¹⁰ Sushil Kumar Dixit and Sarita Dixit, Evolution of CSR in India: Indian Roots in Emerging Context, 14 JASRAE 1883, 1835–1887 (2018).

To address this situation, the Ministry of Corporate Affairs (MCA), Government of India, introduced voluntary CSR guidelines in 2009. These guidelines were later revised and renamed as the National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business (NVEG).¹¹ Eventually, these principles were incorporated into the Companies Act, 2013, under Section 135 and Schedule VII, and into the CSR Rules. This legislation made CSR a legal requirement for certain categories of companies in India. According to the Act, eligible companies are required to spend at least 2 per cent of their average net profits on CSR activities specified in Schedule VII.¹² The law also made it compulsory for CSR policies and expenditures to be approved by the board of directors. These provisions apply to both Indian and foreign companies operating in India. Any company incorporated outside India but functioning within the country is treated as a foreign company for CSR compliance. It is estimated that these regulations affect nearly 20,000 companies across India.¹³

The Indian CSR model is quite different from the Western approach. In many Western countries, CSR activities are largely voluntary, and companies are free to decide how much to spend and on which activities. In contrast, Indian companies are legally bound not only to spend a specified amount on CSR but also to carry out activities listed under Schedule VII of the Companies Act. The CSR policy and decision-making process have been placed under the direct responsibility of the company's board, and firms are required to disclose detailed information about their CSR initiatives in annual reports.

Companies must report the amount spent on CSR and the nature of activities undertaken. Since CSR expenditure is linked to company profits, it has become a regular and continuous practice rather than an occasional activity. Another important feature of the law is that responsibility for CSR implementation lies directly with the board of directors, and all related decisions must be formally approved by them.

Furthermore, CSR activities must align with the objectives listed in Schedule VII, which are designed to support inclusive national development. The government also retains the authority to modify this schedule according to changing national priorities. The underlying spirit of the CSR mandate is to support the poor, marginalised, and disadvantaged sections of society and to address critical social challenges. Although CSR is not considered a core business function, companies are encouraged to collaborate with non-profit organisations that have expertise in implementing social projects.

Legal Loopholes in the CSR Framework

1. Ambiguity in Definitions

Schedule VII of the Companies Act, 2013 merely enumerates broad thematic areas for CSR expenditure, including environmental sustainability, without providing clear definitions, measurable standards, or outcome-based criteria. This legislative ambiguity grants corporations wide discretion in determining what constitutes valid CSR activity, often leading to the classification of symbolic or short-term initiatives, such as single-day tree-planting drives or awareness campaigns, as environmental CSR, without any mechanism to ensure continuity or measurable impact.¹⁴ One of the most pressing legal gaps is the absence of a clear statutory definition for activities undertaken in the 'normal course of business'. While judicial

¹¹ Ministry of Corporate Affairs, Corporate Social Responsibility Voluntary Guidelines, 2009, (Issued on December, 2009).

¹² Ministry of Corporate Affairs, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, (Issued on July, 2011).

¹³ No CSR Committee Need for Having Spending Obligation of Less Than Rs 50 Lakh, INDIA CSR, (Feb. 05, 2026, 11:15 AM), <https://indiacsr.in/no-csr-committee-need-for-having-spending-obligation-of-less-than-rs-50-lakh>.

¹⁴ MITRA NAYAN & RENE SCHMIDPETER, CORPORATE SOCIAL RESPONSIBILITY IN INDIA: CASES AND DEVELOPMENT AFTER THE LEGAL MANDATE 75-76 (1st ed. Springer 2017).

interventions, such as in *Mohd Ahmad (Minor) v. Union of India*,¹⁵ have attempted to clarify that CSR must lack a profit motive and not be part of a company's core business, the lack of legislative clarity leads to 'confused enforcement'. Additionally, the 'comply-or-explain' nature of the law has historically allowed for low-quality compliance. Studies of spending patterns have found that reasons provided for underspending are frequently 'boilerplate, vague, and ambiguous,' further illustrating how companies exploit legal flexibility to avoid meaningful environmental commitments.¹⁶ In *Goa Foundation v. Union of India & Ors.*,¹⁷ The Supreme Court observed that corporate obligations framed in general terms tend to be misused unless supported by clear statutory standards, a principle that indirectly explains the dilution of CSR accountability. Audit findings of the Comptroller and Auditor General further corroborate this concern, revealing instances where companies reported routine or peripheral activities as CSR due to definitional vagueness, thereby weakening the normative intent of the CSR framework.¹⁸

2. Emphasis on Spending over Outcomes

The CSR framework places predominant emphasis on the quantum of expenditure rather than the quality or impact of CSR initiatives, assessing compliance primarily on whether companies have spent the mandated two per cent of their average net profits. This input-centric approach incentivises companies to prioritise easily implementable and reportable projects over long-term, outcome-oriented interventions. Scholarly analysis by Nayan highlights how this has institutionalised a “checklist” model of compliance, which is further evidenced by data showing that a significant portion of eligible companies, approximately 58.2% in the 2017-18 period, spent nothing on CSR, illustrating that the law's "comply-or-explain" model often results in vague, boiler-plate justifications rather than actual social investment.¹⁹ Further, Empirical evidence from CAG reports on Central Public Sector Enterprises²⁰ and incidents involving mining corporations such as Vedanta, where extensive CSR spending coexisted with environmental degradation, demonstrates the limitations of a spending-oriented compliance model.

3. Weak Monitoring and Evaluation Mechanisms

Although companies are statutorily required to disclose CSR activities in their annual reports, the CSR regime lacks a standardised, independent, and robust monitoring and evaluation mechanism. Self-reporting dominates CSR compliance, while third-party audits, when conducted, lack uniformity and methodological rigour, as noted by Khurana.²¹ A lack of transparency regarding the impact of these projects also undermines accountability. While some Central Public Sector Enterprises (CPSEs) have established internal post-project social impact assessment mechanisms, the detailed findings of these evaluations are rarely disclosed to the public or included in sufficient detail in annual CSR reports.²² Furthermore, evidence suggests that such impact assessments and robust stakeholder consultations are often entirely minimal or absent in the private sector. This lack of rigorous, publicly accessible data makes

¹⁵ *Mohd Ahmad (Minor) v. Union of India*, W.P. (C) 7279/2013 (Delhi H.C. 2013).

¹⁶ Puja B. Singh & Sanjeev Bansal, *Legislated Corporate Social Responsibility (CSR) in India: The Law and Practicalities of Its Compliance*, 14 INT'L J. MGMT. PRACTICE 391, 398-402 (2021).

¹⁷ *Goa Foundation v. Union of India*, (2014) 6 SCC 590 (India).

¹⁸ Comptroller & Auditor Gen. Of India, *Compliance Audit on General Purpose Financial Reports of Central Public Sector Enterprises*, (2018), Report No. 18 Of 2018 (Issued on August 07, 2018).

¹⁹ Akanksha, Jumde & Jean du Plessis, *Legislated Corporate Social Responsibility (CSR) in India: The Law and Practicalities of its Compliance*, 41 STAT. L. REV. 1, 8 (2020).

²⁰ Comptroller & Auditor Gen. Of India, *General Purpose Financial Reports of Central Public Sector Enterprises*, Rep. No. 18 Of 2019 (Compliance Audit), (Issued on December 10, 2019).

²¹ Kirthana Singh Khurana, *Mandatory CSR in India-A Trailblazer from the East*, 9 BRICSLJ 95, 81-105 (2022).

²² Mallika Tamvada & Onyeka Osuji, *Corporate Accountability and Formalised Corporate Social Responsibility: Insights from India's Energy Public Sector Undertakings*, 25 J. CORP. L. STUD. 45, 48-52 (2025).

it difficult to distinguish between genuine environmental progress and corporate greenwashing.²³ Judicial concern over ineffective regulatory oversight is reflected in *Centre for Public Interest Litigation v. Union of India & Ors.*,²⁴ where the Court emphasised that disclosure without verification undermines regulatory accountability. The broader regulatory failure exposed by the Infrastructure Leasing & Financial Services (IL&FS) corporate collapse further illustrates how weak oversight mechanisms allow misleading disclosures to persist, raising serious concerns about the credibility of CSR reporting and enforcement.²⁵

4. Misalignment with National Environmental Goals

The Companies Act, 2013, does not mandate alignment of CSR activities with national environmental policies or international climate commitments, resulting in fragmented and uncoordinated CSR initiatives. CSR projects frequently operate in isolation from frameworks such as the National Action Plan on Climate Change, the National Biodiversity Action Plan, and India's obligations under the Paris Agreement.²⁶ Judicial emphasis on the need for policy coherence in environmental governance is evident in *Vellore Citizens' Welfare Forum v. Union of India & Ors.*,²⁷ where the Supreme Court stressed sustainable development and the precautionary principle as integral to state and corporate action. Similarly, in *A.P. Pollution Control Board v. Prof. M.V. Nayudu*,²⁸ the Court highlighted the necessity of integrating scientific and policy considerations in environmental decision-making. Incidents involving CSR-funded afforestation projects conflicting with community forest rights under the Forest Rights Act, 2006, further illustrate the consequences of policy misalignment and lack of coordination between CSR initiatives and environmental governance frameworks.²⁹

Challenges in Implementing Environmental CSR

1. Urban-Centric Implementation CSR projects tend to be concentrated in urban and peri-urban areas where companies operate. These projects are easier to monitor and provide greater visibility. However, rural and ecologically sensitive regions, which suffer the most from environmental degradation, are often overlooked due to logistical and infrastructural challenges.³⁰ Data indicate a stark geographical imbalance, with CSR funds heavily concentrated in industrialised states like Maharashtra and Gujarat, while ecologically sensitive but backward regions, such as the North-Eastern states, receive less than 1% of total CSR expenditure.³¹
2. Sectoral Preferences Companies often prefer CSR projects in education and healthcare, which offer tangible and quick results. Environmental initiatives, which require long-term investment and provide delayed or indirect returns, are less attractive. Implementation is further hampered by operational

²³ Priyanka Aggarwal & Aarti Kadyan, Greenwashing: The Darker Side of CSR, 4 INDIAN J. APPLIED RSCH. 61, 61–66 (2014).

²⁴ Centre for Public Interest Litigation v. Union of India & Ors. (2013) 16 SCC 279.

²⁵ Sumit Kumar Sharma, IL&FS Crisis and Beyond: Assessing India's Regulatory Framework for Financial Stability, 6 INT'L J. LEGAL SCI. & INNOVATION 1114, 1115-1118 (2024).

²⁶ Santosh Kumar Tripathi, Dr Asma Farooque, Dr Syed Afzal Ahmad, Corporate Social Responsibility in India: A review of Corporate Contributions to Sustainable Development Goals, 30 ED. ADM.: TH. & PRACT. 586, 581-593 (2024).

²⁷ Vellore Citizens' Welfare Forum v. Union of India, (1996) 5 S.C.C. 647 (India).

²⁸ A.P. Pollution Control Bd. v. Prof. M.V. Nayudu, (1999) 2 S.C.C. 718 (India).

²⁹ Ganesh Gaigouria, Fabricated Consent, Coercion and Resistance: Odisha's Sijimali Echoes the Niyamgiri Conflict, THE WIRE, (Feb. 2, 2026, 10:04 AM), <https://m.thewire.in/article/rights/fabricated-consent-coercion-and-resistance-odishas-sijimali-echoes-the-niyamgiri-conflict>.

³⁰ GUPTA SIKHA, RECENT ADVANCES IN NEW TECHNOLOGY, BUSINESS MANAGEMENT, EDUCATION AND SOCIAL SCIENCE 92 (INSC International Publishers 2022).

³¹ Jumde & du Plessis, *supra* note 13, at 12.

constraints and flawed procurement processes. Qualitative data indicate that many companies lack the internal technical expertise and skilled workforce necessary to plan and monitor complex environmental interventions.³² A significant hurdle in the public sector is the recruitment of vendors through an open tendering process that prioritises the 'Lowest Cost' (L1) criterion. This approach often results in selecting civil construction contractors with little interest or expertise in the developmental aspects of CSR projects, such as ensuring the long-term survival of tree plantations.³³ In contrast, some private firms use a 'Quality and Cost Based Selection' (QCBS) formula, suggesting that a lack of standardised quality benchmarks in the law remains a major gap. This skewed prioritisation undermines the potential of CSR to address environmental issues like pollution control, waste management, and biodiversity conservation.³⁴

3. Greenwashing: Some corporations use CSR as a tool for greenwashing, publicising environmentally friendly initiatives to mask unsustainable core operations. Such practices are hard to detect in the absence of strict accountability mechanisms and third-party evaluations. This undermines public trust and dilutes the essence of CSR.³⁵
4. Limited Stakeholder Engagement: Many CSR programs adopt a top-down approach, with limited consultation with local communities, NGOs, or environmental experts. This lack of participatory planning can result in projects that do not align with local ecological priorities or cultural practices. For example, plantation drives without local involvement often fail due to poor species selection or inadequate maintenance, underscoring the need for community-driven planning.³⁶
5. Regulatory and Policy Constraints: While the Companies Act, 2013, mandates CSR spending for certain firms in India, environmental projects often face regulatory ambiguities or insufficient incentives. The absence of clear guidelines for measuring environmental impact and limited tax benefits for sustainable initiatives discourages substantial corporate investment in environmental CSR. For instance, companies often prefer conventional CSR avenues like education or health due to clearer compliance frameworks.³⁷
6. Monitoring and Impact Assessment Challenges: Environmental outcomes are long-term, complex, and influenced by multiple external factors, making monitoring and impact assessment challenging. Many companies lack robust metrics, scientific frameworks, or external verification for evaluating outcomes.³⁸ These limits evidence-based assessment, reduces accountability, and hinders replication of successful interventions.
7. Financial and Resource Limitations: Sustainable environmental initiatives often demand high upfront investment, technical expertise, and continuous resource allocation. Small and medium enterprises (SMEs) may struggle to fund these projects, resulting in uneven CSR adoption across industries.

³² Singh-Jumde & Kumar, *supra* note 3, at 41.

³³ *Id.* at 47.

³⁴ Sangeeta Bansal, Sonakshi Jain, Madhu Khanna, Corporate Social Rules in India: An Assessment, 3 EPW 49-50, 44-51 (2018).

³⁵ Meghna Mishra & Yadu Krishnan Muraleedharan, Greenwashing: A By-Product of India's Fragile CSR Policies, 1 CHANAKYA L. REV. 147, 150-52 (2020).

³⁶ Zainab Sahiba & Pitabas Pradhan, CSR and Community Engagement: A Qualitative Analysis of two Indian Organisations, 4 SOC'Y & CULTURE DEV. INDIA 407, 412 (2024).

³⁷ Priyanka Singh, Legal Aspects of Corporate Social Responsibility: A Comparative Analysis of India and Other Countries, 5 INDIAN J. LEGAL REV. 492, 498 (2025).

³⁸ Jyoti Tandon, A Study of Corporate Social Responsibility (CSR) Practices in Select Indian Companies with Special Reference to Educational and Environmental Aspects, 10 RES. J. HUMAN. & SOC. SCI. 1095, 1098 (2019).

Additionally, industries with lower profit margins may deprioritise environmental initiatives, even when social or environmental impact is critical.³⁹

8. Technological and Knowledge Gaps: Effective environmental CSR requires specialised knowledge, data analytics, and innovative technologies for monitoring and mitigation. Many companies lack access to environmental experts or advanced tools such as GIS-based ecosystem mapping, pollution sensors, or climate modelling, which limits the scalability and precision of CSR interventions.⁴⁰
9. Cultural and Awareness Barriers: In several regions, low awareness of environmental sustainability among communities and employees reduces participation in CSR initiatives. Cultural factors may also influence the acceptance of projects such as waste segregation, water conservation, or renewable energy adoption. Without awareness campaigns, even well-funded initiatives may fail to achieve behavioural change.⁴¹

Corporate Social Responsibility in India and Global Practices

Corporate Social Responsibility is a fundamental approach through which businesses integrate social, environmental, and ethical considerations into their operations and stakeholder interactions. Its practice varies significantly across continents due to differences in legal mandates, cultural values, governance structures, and stakeholder expectations. The modern understanding of this concept is often grounded in Carroll's "Pyramid of CSR," which breaks down corporate obligations into four tiers: economic (profitability), legal (obeying the law), ethical (fairness beyond the law), and philanthropic (voluntary giving).⁴² In the contemporary global economy, Multinational Enterprises (MNEs) are increasingly evaluated through a "triple bottom line," where they are judged according to their economic, social, and environmental performances simultaneously.⁴³ Consequently, CSR strategies have transitioned from optional philanthropy to a core strategic necessity and a source of "sustainable trust" for frontrunning companies.

In Asia, India's CSR framework under the Companies Act, 2013, mandates that qualifying companies allocate at least 2% of their net profits to projects in areas such as education, healthcare, environmental protection, poverty alleviation, and gender equality.⁴⁴ Similarly, the Chinese government has increasingly utilised policy frameworks to drive "green growth," encouraging companies to reduce carbon emissions through its five-year plans. For instance, the Belt and Road Initiative (BRI) now include explicit CSR goals, encouraging Chinese companies to adhere to high environmental and social standards in their overseas infrastructure investments.⁴⁵

In the same continent, Japan exemplifies a culture-driven CSR model where the principle of Kyo sei living and working together for the common good encourages companies to internalise social responsibility into

³⁹ Arpita Singh, Corporate Environmental Responsibility: A New Era of Environmental Sustainability in India, 11 INT'L J. E. V'T SCI. 222, 225-26 (2025).

⁴⁰ K. Senthilkumar & S. Jaisankar, Technology-Enabled Environmental CSR: Empowering Marginalised through Smart Solutions, 7 INT'L J. ENG'G SCI. 1, 5 (2024).

⁴¹ United Nations Environment Programme, Global Environment Outlook 6: Healthy Planet, Healthy People, 2019, (Issued on March 04, 2019).

⁴² Kateryna Plokhotniuk & Krystyna Tarasova, Corporate Social Responsibility (CSR) in an International Aspect, INT'L J. PSYCHOL. & STRATEGIC COMM. 38, 39 (2025).

⁴³ Sairan Hayama, Kyosei Philosophy and CSR Management in Multinational Enterprises: A Case Study of Canon, Inc., 20 INT'L BUS. & CULTURAL STUD. 185, 186 (2015).

⁴⁴ Companies Act, 2013, § 135.

⁴⁵ Plokhotniuk & Tarasova, *supra* note 40, at 41.

their corporate philosophy, promoting ethical conduct, long-term community engagement, environmental stewardship, and sustainable practices.⁴⁶ Japanese firms often adopt a kaizen (continuous improvement) approach, embedding sustainability directly into product design and manufacturing processes. A primary example is Canon Inc., which adopted Kyosei as its corporate philosophy in 1988. Practically, this is seen in Canon's "Cradle-to-Cradle" design philosophy, which creates energy-efficient devices that reduce the total carbon footprint during both manufacture and use.⁴⁷

Moving to North America, in the United States, CSR remains largely voluntary but strategically oriented, with multinational companies such as Google, Microsoft, and IBM designing programs that directly align with core business operations, technological expertise, and global sustainability goals.⁴⁸ Including renewable energy adoption, digital literacy, employee volunteerism, and community development, which enhance corporate reputation, build stakeholder trust, and create measurable social impact without relying on mandatory expenditure. A significant historical example is the passage of the Sarbanes-Oxley Act in 2002, enacted in response to massive accounting scandals at Enron and WorldCom, to mandate higher standards of corporate responsibility and financial disclosure.⁴⁹

In Europe, nations like Germany and the UK implement a "principle-based" model. The UK model was significantly shaped by the 1992 Cadbury Report, which followed high-profile collapses like BCCI and introduced the "comply or explain" approach.⁵⁰ Modern examples of this leadership include firms like Unilever and Ikea, which have integrated sustainability into their core supply chain strategies, using it as a driver for innovation rather than just philanthropy.⁵¹ This is further standardised by the EU's Corporate Sustainability Reporting Directive (CSRD) and global frameworks such as ISO 26000 and the Global Reporting Initiative (GRI).⁵²

In Africa, South Africa demonstrates a unique incentive-linked CSR framework through the King IV Code and Broad-Based Black Economic Empowerment (B-BBEE) Act, 2003, where companies are motivated to invest strategically in social development, education, health, and empowerment programs. Because their CSR performance directly influences procurement eligibility, stock exchange recognition, and corporate governance evaluations.⁵³ Creating a model where social impact is integrated with business performance and accountability.

In Latin America, particularly in Brazil, CSR is voluntary and stakeholder-driven, emphasising collaboration with local communities, non-governmental organisations, and civil society to design initiatives that address local social and environmental challenges.⁵⁴ A defining incident in Brazil's CSR history was the 2015 Mariana dam disaster involving the mining company Samarco; this tragedy triggered a national shift toward more rigorous environmental transparency and social repair frameworks. Organisations like the Ethos Institute (Instituto Ethos) have since become central to Brazil's CSR

⁴⁶ Hayama, *supra* note 41, at 185.

⁴⁷ *Id.* at 187.

⁴⁸ José L. Teixeira et al., Voluntary Audits of Nonfinancial Disclosure and Earnings Quality, 18 J. RISK FIN. MGMT. 256, 256 (2025).

⁴⁹ Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745 (United States).

⁵⁰ The Financial Aspects of Corporate Governance, Report of The Committee on The Financial Aspects of Corporate Governance, Cadbury Report/1.1 (issued on December 1, 1992).

⁵¹ Kateryna Plokhotniuk & Krystyna Tarasova, Corporate Social Responsibility (CSR) in an International Aspect, INT'L J. PSYCHOL. & STRATEGIC COMM. 38, 42 (2025).

⁵² *Id.* at 42.

⁵³ Broad-Based Black Economic Empowerment Act 53, 2003 (S. Africa).

⁵⁴ Vicente Lima Crisóstomo et al., An Analysis of Corporate Social Responsibility in Brazil: Growth, Firm Size, Sector and Internal Stakeholders Involved in Policy Definition, 37 PENSAMIENTO & GESTIÓN 126, 130-135 (2014).

landscape, helping companies move beyond simple charity toward "Socially Responsible Management." For example, the Brazilian cosmetics giant Natura & Co is globally recognised for its "Amazon Program," which integrates local community knowledge and biodiversity conservation directly into its product supply chain, ensuring that economic growth supports forest preservation.⁵⁵

In other regions, CSR reflects unique local pressures. In Australia, major incidents like the 2001 collapse of HIH (the country's largest corporate failure) pushed businesses to adopt stricter reporting through the Global Reporting Initiative (GRI) to rebuild stakeholder trust. Meanwhile, CSR in the United Arab Emirates (UAE) is uniquely rooted in Islamic values.⁵⁶ This is demonstrated through projects like Masdar City and the Mohammed Bin Rashid Al Maktoum Solar Park, where the private sector partners with the government to lead the transition into renewable energy and green building.⁵⁷

Comparative analysis across these continents highlights that while India's mandatory CSR framework ensures financial contribution, it faces unique "institutional constraints," including power concentration and a decay in the availability of qualified independent directors. Research indicates a global trend where "Socially Responsible Investment" (SRI) exerts pressure on companies; 90% of surveyed firms now believe CSR should be discussed alongside corporate strategy, as investors and employees increasingly avoid "black corporations" with poor ethical records.⁵⁸ Adapting these practices to India is feasible and potentially transformative. India could move toward a "maximal degree of rigidity" in legal application to move beyond "boilerplate" reporting. This includes making secretarial audits mandatory for both listed entities and their material subsidiaries to ensure transparency. By balancing India's rule-based system with the strategic innovation seen in Japan and the transparency standards of the EU, India's CSR ecosystem can maximise both societal development and long-term corporate value.⁵⁹

Stakeholder Perspectives

1. In the corporate sector, many businesses view CSR as a compliance burden rather than a strategic opportunity. There is a lack of in-house expertise in designing and implementing effective environmental programs. Additionally, the preference for short-term, low-risk projects hinders innovation and long-term investment in sustainability.⁶⁰
2. Civil Society and NGOs in India criticise the opacity and tokenism in corporate CSR activities. They advocate for participatory planning and community involvement, arguing that the mandatory nature of the law has often resulted in "tick-box" compliance rather than genuine social impact.⁶¹ Furthermore, they push for contextual environmental strategies that reflect the specific needs of affected populations, moving away from generic corporate agendas toward localised ecological restoration.
3. Government and Regulators: The Ministry of Corporate Affairs has acknowledged the need for better impact assessment tools and more transparent reporting. However, implementation has lagged due to

⁵⁵ Hayama, *supra* note 41, at 188.

⁵⁶ *Id.* at 191.

⁵⁷ *Id.* at 192.

⁵⁸ Monika Gupta & Arti Sharma, A Comparative Analysis of Corporate Governance and CSR: Lessons from India, UK and USA, 3 INDIAN J. L. 34, 45 (2025).

⁵⁹ Hayama, *supra* note 1, at 190.

⁶⁰ Sanjay Gautam, Hemant Kothari, L R Paliwal, CSR Practices in India and Abroad, 7 IJARCMS 101, 95-105 (2024).

⁶¹ MITRA NAYAN, CORPORATE SOCIAL RESPONSIBILITY IN INDIA: CASES AND DEVELOPMENT AFTER THE LEGAL MANDATE 115-120 (1st ed. Springer 2017).

bureaucratic hurdles, lack of political will, and limited institutional capacity.⁶² Interviews with senior officials reveal that for Central Public Sector Enterprises (CPSEs), CSR has become an exercise in implementing the national government's "pet projects," such as the Swachh Bharat Mission. Frequent "directives" from the Department of Public Enterprises often force these companies to realign their budgets, curtailing their autonomy to fund independent or innovative environmental initiatives.⁶³

4. Environmental experts and activists argue that most CSR projects fail to address root ecological issues. They highlight that token environmental activities like sapling distribution or clean-up drives, while symbolic, rarely lead to measurable ecological restoration.⁶⁴ Experts advocate for a shift toward long-term conservation strategies that address the systemic environmental degradation caused by industrial processes rather than short-term "visible" outcomes.

Conclusion

The evolution of Corporate Social Responsibility (CSR) in India, moving from ancient philanthropic traditions to a statutory mandate under Section 135 of the Companies Act, 2013, represents a pioneering shift in the relationship between business and environmental governance. By legally codifying CSR, India sought to involve the corporate sector in the nation's social and ecological development. However, as this study demonstrates, the transition from "voluntary charity" to "legal mandate" has been hampered by systemic legal loopholes and implementation challenges that prioritise financial expenditure over genuine ecological impact. While the law has mobilised significant resources, the focus has largely remained on "strategic CSR" projects that enhance brand reputation rather than those that address the root causes of environmental degradation.

A primary hurdle lies in the regulatory ambiguity inherent in the framework. As analysed, the lack of precise statutory definitions for "environmental sustainability" or "normal course of business" allows corporations to exploit legal grey areas. This has institutionalised a "checklist" culture of compliance, leading to the phenomenon of Greenwashing. In many instances, symbolic gestures or routine industrial obligations are rebranded as CSR to satisfy the "comply-or-explain" requirement. The judicial observations in cases such as *Goa Foundation v. Union of India*⁶⁵ and *Mohd Ahmad (Minor) v. Union of India*⁶⁶ underscore the danger of these vague standards, suggesting that without clear statutory criteria, corporate obligations are easily misused or diluted.

Furthermore, the geographical and sectoral imbalances in CSR implementation present a significant barrier to national environmental goals. The heavy concentration of funds in industrialised states like Maharashtra and Gujarat leaves ecologically sensitive but backward regions, such as the North-Eastern states, significantly underserved. This urban-centric bias is exacerbated by a top-down approach that often ignores local communities and technical experts. The reliance on "Lowest Cost" (L1) procurement further compromises the quality of interventions, as civil contractors often lack the specialised knowledge necessary for long-term ecological restoration. This misalignment is clearly seen when CSR projects operate in isolation from national frameworks like the National Action Plan on Climate Change (NAPCC).

⁶² V. Kanakalatha, *Corporate Social Responsibility in India: Issues and Challenges*, 3 IJARIT 1677, 1674-1679 (2017).

⁶³ Jumde & du Plessis, *supra* note 13, at 21–22.

⁶⁴ Arundhati Virmani & Sumanth Inukonda, *Achieving Environmental Restoration through CSR Spend: A Critical Analysis of Select Indian Companies*, 12(9) INT'L J. CREATIVE RES. THOUGHTS 410, 412-414 (2025).

⁶⁵ *Goa Foundation v. Union of India*, (2014) 6 SCC 590 (India).

⁶⁶ *Mohd Ahmad (Minor) v. Union of India*, W.P. (C) 7279/2013 (Delhi H.C. 2013).

To transform CSR into a robust tool for environmental protection, a fundamental paradigm shift is required. India must move away from a spending-centric model toward one based on measurable outcomes and quality assessments. Legislative reforms should aim to harmonise CSR activities with national environmental policies and international climate commitments, ensuring policy coherence as emphasised in the Vellore Citizens' Welfare Forum case.⁶⁷ Only by closing these legal loopholes, enhancing monitoring mechanisms, and fostering genuine collaboration between companies, the government, and local communities can India ensure that corporate growth contributes to a sustainable, resilient, and ecologically secure future.

Recommendations

1. **Legal Reform and Clarification:** To eliminate ambiguity and promote meaningful Corporate Social Responsibility (CSR) practices, the legislation must define "environmental sustainability" with precise criteria, including specific sectors such as renewable energy adoption, biodiversity conservation, waste reduction, and carbon offsetting. Each initiative should be aligned with measurable outcomes using key performance indicators (KPIs). Crucially, legal reforms must explicitly define the "normal course of business" to ensure CSR funds are not diverted toward routine operational expenses or brand-building exercises. This recommendation aligns with the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business (2011), which emphasise that CSR must exceed minimum legal compliance.⁶⁸ By incorporating the "Additionality Principle" found in international standards, the law can address the "confused enforcement" highlighted by the High-Level Committee on CSR (2018), which noted that statutory opacity allows firms to satisfy spending requirements through symbolic gestures that lack genuine ecological impact.⁶⁹
2. **Strengthening the Monitoring Mechanism:** A robust monitoring mechanism is essential to ensure transparency and accountability. All CSR projects exceeding a set financial threshold should undergo mandatory third-party audits conducted by accredited environmental evaluators to move from financial compliance to "impact assurance."⁷⁰ Furthermore, the establishment of a National CSR Evaluation Authority could oversee quality standards, issue impact ratings, and maintain a central database accessible to stakeholders. This oversight would align Indian practices with global frameworks for the assurance of non-financial information, ensuring that environmental claims are scientifically verified.⁷¹
3. **Policy Alignment and Institutional Autonomy:** CSR activities must be integrated with national and international environmental commitments, specifically the National Action Plan on Climate Change (NAPCC) and the Sustainable Development Goals (SDGs).⁷² To incentivise this synergy, "CSR-Environmental Alignment Scores" should be developed. Furthermore, there is a critical need to restore institutional autonomy in CSR decision-making, particularly for Central Public Sector Enterprises

⁶⁷ Vellore Citizens' Welfare Forum v. Union of India, (1996) 5 S.C.C. 647 (India).

⁶⁸ Ministry of Corporate Affairs, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (issued on July, 2011).

⁶⁹ Ministry of Corporate Affairs, Report of the High-Level Committee on Corporate Social Responsibility (issued on September 28, 2018).

⁷⁰ Institute of Chartered Accountants of India, Standard on Assurance Engagements (SAE) 3000 (issued on February, 2011).

⁷¹ International Auditing and Assurance Standards Board, International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE) 3000 (Revised) (issued on December, 2013).

⁷² Prime Minister's Council on Climate Change, National Action Plan on Climate Change (issued on June 30, 2008).

- (CPSEs).⁷³ Current practices show that CPSE funds are frequently diverted toward government "pet projects" through departmental advisories rather than local environmental needs. Policies must be enacted to insulate CSR boards from external political pressures, ensuring that spending is dictated by scientific ecological assessments and the "Doctrine of Public Trust."⁷⁴
4. Capacity Building and Awareness: There is a pressing need to develop internal corporate capacity for environmental project planning and implementation. CSR teams should undergo regular training in environmental science, policy, and community engagement to move beyond "cheque-book philanthropy."⁷⁵ Awareness campaigns targeting corporate boards and investors are essential to foster a sustainability-focused mindset, as technical expertise remains a primary barrier to achieving SDG-aligned corporate impact.⁷⁶
 5. Public-Private-Community Partnerships (PPCPs): Collaborations between government agencies, private companies, and community organisations should be institutionalised to implement large-scale, high-impact projects. These Public-Private-Community Partnerships (PPCPs) leverage local knowledge and ensure participatory governance. By fostering community ownership, these partnerships ensure the long-term viability of environmental interventions, such as reforestation or watershed management, which often fail without local stewardship.
 6. Digital Transparency and Citizen Engagement: The Ministry of Corporate Affairs should launch a real-time digital CSR dashboard featuring geo-tagging, financial disclosures, and impact metrics. To move beyond "boilerplate" reporting, this platform must require the disclosure of full impact assessment reports and baseline surveys, which are currently treated as internal documents.⁷⁷ This recommendation aligns with the 2019 High-Level Committee Report on CSR, which advocated for a machine-readable central database to enable "social audits" by the public.⁷⁸ Standardising these disclosures under the Business Responsibility and Sustainability Reporting (BRSR) framework would address the current disparity where public sector firms remain opaque and private firms often bypass assessments entirely.⁷⁹

⁷³ Department of Public Enterprises, Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (issued on January 4, 2014).

⁷⁴ M.C. Mehta v. Kamal Nath, (1997) 1 S.C.C. 388 (India).

⁷⁵ Ministry of Corporate Affairs, National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (issued on July, 2011).

⁷⁶ NITI Aayog, Voluntary National Review Report (issued on July, 2020).

⁷⁷ Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, Rule 8.

⁷⁸ Ministry of Corporate Affairs, Report of the High-Level Committee on Corporate Social Responsibility (issued on August 13, 2019).

⁷⁹ Security & Exchange Board of India, Circular on Business Responsibility and Sustainability Reporting (BRSR), SEBI/HO/CFD/CMD-2/P/CIR/2021/562 (issued on May 10, 2021).