

EXPLORING THE INTERLINKAGES BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND THE SUSTAINABLE DEVELOPMENT GOALS

A Case Study of India



Shikha Manchanda, Dil B. Rahut,
and Tetsushi Sonobe

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Exploring the Interlinkages Between Corporate Social Responsibility and the Sustainable Development Goals A Case Study of India

**Shikha Manchanda, Dil B. Rahut,
and Tetsushi Sonobe**

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Asian Development Bank Institute
Kasumigaseki Building 8F
3-2-5, Kasumigaseki, Chiyoda-ku
Tokyo 100-6008, Japan
www.adbi.org

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Abbreviations

BRSR	Business Responsibility and Sustainability Report
CSR	corporate social responsibility
ESG	environmental, social, and governance
GRI	Global Reporting Initiative
NGO	nongovernment organization
PSU	public sector undertaking
SDG	Sustainable Development Goal
UN	United Nations

About the Authors

Shikha Manchanda is a consultant at Outlier Analytica Private Limited, India.

Dil B. Rahut is vice-chair of research and a senior research fellow at the Asian Development Bank Institute.

Tetsushi Sonobe is dean and CEO of the Asian Development Bank Institute.

Preface

The practice of corporate giving for social causes is not new and has been around for centuries. Many corporations and philanthropists have made a lasting impact on society through their efforts as they believed they had a special obligation to society as they benefited from it. However, philanthropy is not the same as corporate social responsibility (CSR). The term CSR, popularized by Archie Carroll, highlights the economic, legal, ethical, and social responsibilities of corporations toward society. CSR is no longer considered peripheral to activities, such as philanthropy, but is now recognized as integral to a company's strategic decision-making and daily operations. In essence, CSR is no longer an optional add-on; it has become an inherent part of business practices. The ability to adeptly and efficiently address the needs and expectations of stakeholders (who now possess powerful means to express their demands) is not only crucial for success in the current global business landscape but also essential for the survival of businesses.

For-profit firms are at the core of a developed society and are the most efficient entities for converting scarce resources into the products and services. It is crucial to recognize that these firms are socially constructed entities designed to facilitate progress. Therefore, the most crucial question is to pin the purpose of for-profit firms. While the straightforward answer is that firms exist to create value, how they create value and for whom matter greatly. It is incorrect to say that firms can choose to engage in CSR or ignore it. In reality, all firms engage in CSR (as they all seek to create value), but some are more successful at it than others. Although measuring value creation can be challenging, the harm caused by neglecting CSR is more worrisome. For example, the Deepwater Horizon oil spill in the Gulf of Mexico in 2010 highlighted the consequences for both the company and society when stakeholder interests are disregarded. Similarly, the lasting impact of the 2007/08 financial crisis continues to shape economic policies worldwide. CSR is not an abstract concept; it is a tangible reality that lies at the core of nearly everything a corporation does. Effective managers are increasingly required to balance the diverse interests of a firm's stakeholders, understanding not only their current needs but also anticipating their future expectations. The intention behind this book is to foster a more responsive business culture, where for-profit firms rightfully assume their role as primary contributors to solving society's significant challenges.

Over the years, there has been a decline in trust regarding the private sector's ability to regulate itself and bring about positive social change. The adverse effects of trade and globalization, such as growing inequality and stagnant wages, have led to increased resistance toward global businesses and globalization as a whole. Although numerous companies have responded to these concerns by adopting corporate sustainability practices and implementing sustainability management systems, their efforts have not translated into noticeable improvements for the planet's well-being. However, the reality is quite the opposite. The world is facing increasingly pressing sustainability challenges such as climate change, biodiversity loss, and pollution, which are not showing signs of improvement. Moreover, the regression of environmental regulations in certain regions, such as the United States, adds to the concerns. Given that many executives now acknowledge sustainability as a necessary condition for ongoing prosperity and competitiveness, it becomes increasingly critical to comprehend which forms of corporate sustainability truly have a positive impact on the environment, society, and the companies themselves.

Amid the ongoing discussion on the role of businesses in society, there is a growing agreement that companies have the capacity and responsibility to contribute to sustainability. They can do so by amplifying positive effects, such as improving livelihoods, health, and education, while simultaneously minimizing negative impacts, including resource consumption, pollution, and human rights violations. Achieving this requires businesses to possess strategic awareness of global sustainability challenges and implement effective systems for measuring and managing their impact at the corporate level. The United Nations General Assembly adopted the Sustainable Development Goals (SDGs) in September 2015, which serve as a comprehensive and globally relevant framework for countries—and businesses—to strategically address sustainability issues. This framework offers a valuable starting point for companies to systematically address their sustainability impacts at all levels and to discover new business opportunities and simultaneously contribute to resolving the significant sustainability challenges faced by the world today.

However, evaluating and controlling the extent to which businesses contribute to the SDGs present specific difficulties. It necessitates a well-informed comprehension of the broader impacts of a company's core operations, community involvement, and philanthropic initiatives, as well as the significance of these impacts within a sustainability context. Assessing impacts must account for trade-offs and uncertainties arising from the diverse array of sustainability issues, as well as the values and interests of various stakeholder groups. Simultaneously, the SDGs offer an unprecedented opportunity for stakeholders to collaborate

with businesses. For consultants, the measurement and management of impacts represent a promising field of work, given that many companies lack knowledge and data beyond their organizational boundaries. Likewise, for researchers, impact measurement and management have emerged as a crucial new research domain and an application area for their expertise and tools.

This book focuses on exploring the conceptualization, roles, and practices of CSR in developing and emerging markets like India. It aims to provide insights and propose solutions to enhance the effectiveness and utilization of CSR as a tool for individual and societal development. The research questions guiding the book are:

- How does CSR contribute to sustainable development?
- What is the meaning and potential of CSR in developing and emerging economies like India, and how does it differ from conventional and universal approaches?
- Which institutional factors and actors influence or have the potential to influence the effectiveness of CSR in these economies?
- How can developing and emerging economies foster a flexible, diverse, and reconstructed approach to CSR that promotes inclusive and sustainable development?

To reflect the ongoing transformation in the domain of CSR and the SDGs, this book uses India as a case study to explore the interlinkages between CSR and the SDGs, as the title says. The content stems from an extensive 1-year research effort conducted by a team of economists from India and the Asian Development Bank Institute in Tokyo, Japan. This collaborative project encompassed prominent corporations and civil society organizations from India. The findings and conclusions of this book are derived from our primary research, which involved conducting a survey of companies and government incubators. Additionally, we gathered secondary data from sources such as company annual reports, Ministry of Corporate Affairs notifications, and reports specifically focusing on CSR in India. The book draws insights from conversations with various stakeholders, including company personnel, civil society advocates, government officials, consultants, and local communities, actively engaged in developing tools and measuring the contribution of businesses to sustainability.

CSR has become a valuable tool for promoting sustainable development in developing and emerging markets, attracting the attention of both public and private institutions. This book brings together a diverse group of contributors from various fields and international perspectives to assess and enhance the effectiveness of CSR. It addresses key questions such as the connections between

CSR and sustainable development, the implications of CSR for developing and emerging economies (including deviations from traditional approaches), the influential institutional factors and actors shaping CSR outcomes in these economies, and how such economies can foster a flexible, diverse, and reconstructed form of CSR that leads to inclusive and sustainable development. This book is recommended for those seeking an understanding of the normative factors, theoretical models, policy strategies, and corporate practices that best facilitate effective CSR and sustainable development. It is relevant for individuals interested in exploring how CSR can be leveraged to drive positive change in developing and emerging economies.

By analyzing concepts, principles, country studies, and comparative accounts, the book facilitates the exchange of ideas and innovative solutions for CSR and sustainable development, aimed at enhancing their effectiveness in developing economies. Chapter 1 explores the concept and evolution of CSR. Chapter 2 deals particularly with the CSR regulations in India and their impacts in terms of economic development. It also identifies the major gaps observed in planning and execution of CSR plans at the firm level. The subsequent chapters draw upon the concept and practice of sustainable development and sustainability in India. The book carries out a firm-level analysis to infer the often hidden but implicit synergetic linkages between CSR spending and attainment of the SDGs. Chapter 3 introduces the United Nations 2030 Agenda for Sustainable Development. It highlights the current level of target achievement by sector and depicts the performance of different Indian states on these 17 SDGs. Chapter 4 explores the relationship between CSR and sustainability. It is the backbone of this research work and tries to establish the role of strategic CSR in achieving the 2030 SDG milestones. Lastly, Chapter 5 deals with impact assessments and the reporting mechanism of CSR activities in India.

This book aims to assess the potential and limitations of CSR in addressing broader societal challenges. While CSR shows promise in tackling environmental issues and contributing to the SDGs, the current CSR agenda often falls short of comprehensively addressing these challenges. The recommendations and insights in this book have wide-ranging implications and are valuable for policymakers, businesses, scholars, corporate boards, practitioners, and other stakeholders involved in CSR, providing them with the necessary knowledge and tools to effectively implement sustainability initiatives and achieve their objectives. Its interdisciplinary approach makes it relevant for those seeking a comprehensive understanding of CSR and sustainable development in the context of developing and emerging economies. The authors are confident that readers will greatly enhance their understanding of CSR through this comprehensive resource.

1

The “M” Trajectory: Margins to Mainstream

1.1 Introduction

While profit motive no doubt provides the main spark for any economic activity, any enterprise which is not motivated by consideration of urgent service to the community becomes outdated soon and cannot fulfill its real role in modern society.

J.R.D. Tata

The environmental concern surrounding the polluting nature of institutions initiated a heated debate around “corporate responsibility” in the 1970s. In the aftermath, alternatives such as the 3R (reduce, reuse, and recycle) concept, sustainable development, and good governance became the central themes. Companies now emphasize tackling major global issues such as poverty, inequality, and climate change, rather than profit maximization (Sarkar and Sarkar 2015). In 2007, a McKinsey survey of 391 chief executive officers (CEOs) at companies participating in the United Nations Global Compact found that 95% of respondents believed that society has higher expectations from corporations to assume public responsibility. Most CEOs believed these expectations would significantly increase in the years to come (Bielak et al. 2007). These expectations society places on businesses are known as corporate social responsibility (CSR), which encompasses business activities aimed at addressing the environmental and social effects of a company’s operations. This comes barely 30 years after the seminal work of Milton Friedman (1970), “The Social Responsibility of Business Is to Increase Its Profits,” published in the *New York Times*.

Corporate management for years viewed CSR as a pressure tactic to arm-twist corporations into social and environmental upliftment or sometimes as a fad. Of late, business leaders are cognizant of the

creative opportunity CSR offers to build a brand name and reputation, while contributing to the societal good. CSR is now at the core of strategy formulation, but effective execution poses a greater challenge. An increasingly populated planet battling a tremendous climate change crisis reveals why companies should not engage in CSR from an entirely regional context, as they operate within an interconnected global realm. CSR is now widely accepted as a practice that can mitigate corporate harm by motivating socially credible and environmentally friendly policies. A CSR plan creates a way to support socioeconomic and environmental sustainability through management and stakeholder investment (Singh and Misra 2021). However, most corporations embrace a vague idea of CSR. Consequently, their CSR strategies vary. Some invest in CSR out of their moral responsibility to society; others do so to monitor their social standing or strengthen their profitability and viability. These alternatives emphasize sustainability and CSR mainly in terms of a moral commitment and offer insight into the ethical theories with respect to environmental sustainability, economic sustainability, and social wealth. An analysis of 122 in-depth reviews conducted in the United States prior to 2001 reveals that there is a favorable correlation between a company's financial performance and its social performance (Margolis and Walsh 2003). Similar studies in Thailand (Connelly and Limpaphayom 2004) and India (Mishra and Suar 2010) also highlight the positive impact of CSR on firm valuation. Such a strong business case for CSR prompted India in 2013 to mandate CSR spending for companies meeting the financial threshold limits.

This chapter looks back at the corporate journey of CSR in India since the 1970s: how an unheard term in the corporate lobby in India went on to assume a strategic role such that no decision-making is possible without considering its economic, legal, social, and environmental aspects. It also discusses the evolution in the practice of CSR for over a century to help readers comprehend the meaning of the term.

1.2 What Is Corporate Social Responsibility?

The practice of corporate giving for social causes is not new and has been around for centuries. Many corporations and philanthropists have made a lasting impact on society through their efforts, as they believed they had a special obligation to society because they benefited from it. However, this was not the same as modern CSR. American economist Howard Bowen, often referred to as the father of CSR, first coined the term in his 1953 publication *Social Responsibilities of the Businessman*. Industrialists' philanthropic activities can be traced back to the Industrial Revolution on the international level. By the mid- to late-

1800s, there were increasing concerns about the welfare of workers and the conditions of the emerging factory system. This was also around the time of the rise of philanthropy. One notable example is Andrew Carnegie, who amassed a great deal of his wealth in the steel industry and donated a significant portion to causes related to education and scientific research. Other industrialists, such as John D. Rockefeller, also followed in Carnegie’s footsteps. Rockefeller, considered the wealthiest American and the richest person in history, made his fortune in the oil industry and donated over half a billion dollars to religious, educational, and scientific causes.

However, the question lingers of how the term gained acceptance worldwide. There was a period of relative inactivity following Bowen’s work, but other economists began to focus on it in the 1990s. In 1991, Donna J. Wood, a professor at the University of Pittsburgh, published “Corporate Social Performance Revisited,” providing a framework for evaluating the impact and outcomes of CSR programs. At the same time, Archie B. Carroll, a professor at the University of Georgia, published “The Pyramid of Corporate Social Responsibility.” Since then, CSR has become an essential strategy for many organizations. India took the lead by implementing a legal framework to ensure that large corporations fulfill their social responsibilities. The theory of CSR is not as novel to the business world as commonly understood. “Giving back to society” and “philanthropy” dominated the general understanding of the term CSR. In common parlance, CSR denotes any theory of a firm that promotes both the probability to generate revenue and the responsibility to interact ethically with the surrounding population.

Time travel leads us to the first comprehensive definition given by Carroll (1979): “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.” He emphasized that CSR is built on four commitments: economic, legal, ethical, and philanthropic. Economic responsibility refers to revenue generation. It is the mirror image of human survival instinct from a business point of view. Thus, earning profits is essential, and businesses without profits are doomed to fail. Legal responsibility means adhering to laws, rules, and restrictions. Laws are not to be treated as obstacles, and thus, this responsibility is to be accepted as an assertive obligation, i.e., devotion to fulfill legal duty. Ethical responsibility entails doing what is correct and credible. A corporation is expected to assume the role of a citizen, i.e., a member of the society where it operates. Philanthropic responsibility is an expectation to donate to society’s welfare. It includes initiatives such as providing education to the underprivileged sections of society, arranging clean drinking water, and many other welfare programs for

the downtrodden. Thus, Carroll's model demonstrates the concepts of accountability, worldwide CSR, and stakeholder management approaches.

Carroll's model of CSR contradicted Friedman's classical theory, which propounds that the only obligation of businesses is to maximize shareholders' revenue. Thus, companies should not adopt CSR policies because they are extraneous from the profit-making spectrum. Exploring the statement in more depth reveals that Friedman favored the integration of CSR strategies into business systems but opposed companies tagging themselves as social responsibility enterprises. Friedman redefined CSR strategies as profit-making projects. It was an extremist notion that maintained that, in a capitalist economy, businesses are worried only about maximizing profits for their shareholders while adhering to legal restrictions alongside (Falck and Heblich 2007). In other words, the managers who work on behalf of the shareholders should strive for shareholders' wealth maximization solely through profit maximization (Herremans, Akathaporn, and McInnes 1993). The classical theory advocates (Levitt 1983; Waddock and Graves 1997) argued that businesses become less competitive as the expenditure on public and other CSR obligations overloads the business obligations.

The concept of CSR evolved with time against this popularly held belief that dismissed corporations' responsibility to society. Some scholars emphasized the legitimacy of CSR expenditure built on the perception that business institutions regulate society through a stated or established agreement of socially acceptable behavior toward communities in which they operate and gain their acceptance. According to Suchman (1995), legitimacy can be described as the common perception or assumption that the conduct of an organization is favorable, appropriate, and rational within a socially conducted framework of principles, convictions, and explanations. Legitimacy involves two significant aspects: the comprehension of the public and the efficacy of a company's communication channels. The theory of legitimacy forces a corporation to constantly test whether its existence serves the public desires with values (Mobus 2005). *Agency theory* advanced the understanding of legitimacy theory by advocating the existence of an agent–principal relationship between the managers (agent for the principal) and the shareholders (principal). In such a transactional relationship, the agents work on behalf of the principal and follow their instructions in return for a commission or fee. However, it requires continuous scrutiny of the agent's actions by the principal, especially with respect to financial earnings, which is a crucial task assigned to the agent (Hendriksen and Breda 1992). This predicament is often referred to as an agency problem (Ross 1973).

Institutional theory, on the other hand, emphasizes the role played by the stakeholders and competition in exerting pressure on the corporation to perform CSR activities. Firms are expected to fulfill and behave according to defined criteria in the industry (DiMaggio and Powell 1983). By striving to adapt to institutional standards and methodologies, corporations may simply imitate the successful CSR activities of similar institutions or competitors, which may lead to homogeneity—also known as isomorphism, which can be competitive or institutional. The first refers to competition among organizations in an organizational field for resources and customers—the economic fit. The second refers to the quest for political power and legitimacy—the social fit. External stakeholders, including administrative authorities and civil society organizations, impose coercive pressure on businesses to adopt environmentally friendly procedures. Normative pressure arrives from customers, vendors, trade unions, the media, and other social elements. In India, normative pressure is the driving force for promoting socially compliant attitudes and adherence to legislature. Mimetic pressure occurs when corporations engage in a competition for superior performance.

Stakeholder theory, which is widely adopted, aims at the corporation itself and the perspective of its reliable stakeholders. It is also considered the mirror image of CSR. CSR helps the firm to develop meaningful ties with its stakeholders; it amplifies and passes on the benefit to the community at large (Freeman and Dmytriiev 2017). The stakeholder theory establishes wealth creation through societal development alongside a motivated workforce, enhanced brand value, contented consumers, and improved profitability (Nikolova and Arsić 2017), as opposed to Friedman’s wealth creation notion for shareholders merely through profit maximization.

The concept of CSR has undergone many changes because of greater acceptance of stakeholders as central to decision-making, over and above mere shareholders. A clear understanding of the core CSR approach can enhance any firm’s corporate governance, transparency, responsibility, and moral standards. Different research outputs have given shape to the present-day definition of CSR. Davis and Blomstrom (1975) characterized CSR as the responsibility of decision-makers to take actions that serve their own interests while also safeguarding and enhancing public welfare. McGuire (1963) attempted to align economic and CSR concerns, while Carroll (1979) suggested that CSR involves meeting public expectations in the philanthropic, economic, ethical, and legal domains. The concepts of sustainability and sustainable development became central to the discussion of CSR efforts later. Steurer et al. (2005) put forward a model that links corporate sustainability,

sustainable development, and management of relationships with stakeholders. Marrewijk (2003) and Kotler and Lee (2005) highlighted the importance of aligning CSR and corporate sustainability in research. Arevalo and Aravind (2011) examined the historical application of CSR in India by looking at four popular approaches: the statist, the stakeholder, the liberal, and the ethical. In contrast, Freeman and Dmytriiev (2017) studied the relationship between CSR and stakeholder theory, the two key concepts of business ethics. They argued that CSR represents only a portion of corporate responsibilities and demonstrates a deficiency in the significance and applicability of both theories in business ethics. Schnurbein and Stühlinger (2015) explored the growth in the stages and aspects of CSR and reported the existence of a crucial role played by marketing in promoting CSR.

Since the release of the “Our Common Future” report by the World Commission on Environment and Development (1987), both corporate managers and scholars in management have been grappling with the issue of how and why corporations should integrate environmental concerns into their strategic decision-making process. They have shifted their perspective from considering corporations as an environmental problem to recognizing their potential positive impact in promoting environmental protection. Many companies now have acknowledged their responsibility to minimize harm to the environment (Hart 2000). This shift is also evident in the World Bank’s Environment Strategy (2001), which acknowledges that the private sector plays a crucial role in influencing environmental performance and ensuring long-term sustainability. The increasing recognition of significant shifts in global climate and environmental conditions has heightened public awareness regarding the second aspect of corporate responsibility—environment—and has made corporate environmental responsibility (CER) a crucial subject in both the business world and academic literature (Gunningham 2009; Starik and Rands 1995). Gunningham (2009) defined CER as “practices that benefit the environment (or mitigate the adverse impact of business on the environment) that go beyond those that companies are legally obliged to carry out,” resonating with the observation in the World Bank’s Environment Strategy. Citizens, environmental organizations, and leading companies often define CER as the obligation to address the environmental impacts of a company’s operations, products, and facilities. This includes efforts to reduce waste and emissions, optimize resource efficiency and productivity, and minimize practices that could harm future generations’ access to natural resources. In today’s interconnected world, where

the internet, news media, and information revolution shed light on business practices globally, companies are increasingly evaluated based on their environmental stewardship. Business partners and consumers seek transparency and want to associate with trustworthy and ethical companies. Consequently, CSR has transformed from being seen as a luxury to becoming a necessity for many companies. However, the challenge lies in establishing a universally respected CSR framework that enables a thorough assessment of business practices. It is evident from the above discussion that CSR has many facets, each holding the distinction of uplifting society, the environment, and other stakeholders through corporate assistance.

1.3 CSR and Sustainability

The role of a business or a firm in society is highly debated. Some scholars like Friedman believe that the sole aim of profit maximization should drive a firm. Others believe that a business affects all entities of society, the economy, and politics, and hence should be cognizant of those aspects and behave responsibly in the interest of all its stakeholders, including the employees, managers, shareholders, customers, clients, local community, and environment. Corporate sustainability has rapidly developed over the years and is now a crucial aspect of business strategy and management because of the opportunities it has created. Organizations now acknowledge their obligations to society and nature and make efforts to pursue sustainable development (Chandler 2020; Montiel and Delgado-Ceballos 2014; Salzmann, Ionescu-somers, and Steger 2005). The evolution of corporate sustainability is a consequence of economic growth that fueled environmental degradation and the need for higher social equity and justice. Sustainability involves being responsible for the impact that an organization has on its surroundings in terms of social, environmental, and business factors. Careful management of this impact can result in reduced costs, improved external relationships, and better risk management. Moreover, sustainability is an institution's trained stance in the financial reality, taking into consideration civic and economic difficulties, environmental possibilities, and hazards. India's CSR is still heavily focused on corporate philanthropy and community development. With rising globalization, however, a multistakeholder approach has emerged which necessitates a sustainable business strategy that incorporates CSR. To achieve greater sustainability, companies must adapt and implement more comprehensive yet inclusive business approaches.

1.4 A Dilemma of Philanthropy

Like the early philanthropic activities by industrialists such as Carnegie and Rockefeller in the United States mentioned earlier, there are many examples of corporate groups in India being involved in building universities, hospitals, and other institutions. During the Independence movement (starting 1914), they also played a crucial role in funding the struggle for freedom. Mahatma Gandhi, who is considered the father of the nation, had close ties with several businesspeople who were also philanthropists. However, most donations were channeled through religious institutions with the aim of assisting disadvantaged groups.

An insight into the history of CSR demonstrates that until the 1990s, CSR was synonymous with philanthropy (KPMG India 2008). Corporate giving is part of CSR and leads to corporate philanthropy. While charity addresses immediate needs through understanding and generosity, philanthropy is about finding explanations for problems, enhancing human well-being, and dealing with society's problems over a long period. Corporate philanthropy is when a firm donates a fraction of its reserves to a societal purpose, but charity as a theory is that of voluntary giving (O'Neil 2018). In philanthropy, contributors can authorize to spend on whom, where, and how they please. Still, businesses are encouraged to be socially credible in their philanthropic pursuits as they lend a ready platform to expand their brand, along with cordial labor relations and a positive corporate image. Philanthropy is increasingly used as an element of public relations or advertising, with the goal of improving a company's image through high-profile sponsorship. Thus, schemes for aligning CSR actions with a firm's core competence demonstrate good business understanding (Porter and Kramer 2002).

According to a review of case studies and activities that Indian corporations performed, the focus of CSR is shifting from mere philanthropy to empowerment and partnerships (KPMG India 2008). Based on Carroll's CSR pyramid, Lantos (2001) distinguished between three kinds of CSR: strategic, ethical, and altruistic. While strategic CSR is associated with the achievement of strategic business objectives, ethical CSR is morally directed to avoid possible harm. In Lantos's view, altruistic CSR goes beyond ethical CSR toward alleviating common interest shortcomings, whether it benefits the business or not. Similar to philanthropy, the objective of altruistic CSR is to improve human welfare. Philanthropy is then one of the tools used to execute CSR, though it must be acknowledged that, in the short run, the outreach of CSR tends to be far wider than individual philanthropy. CSR is the result not of a personal ideology or devotion of one individual or family

but a considered determination of the CSR committee—and part of a corporate strategy and activity (Porter and Kramer 2002).

1.5 Transition from State Responsibility to Business Responsibility

The motivations behind CSR stem from a combination of incentives and risks that prompt companies to enhance their standards. These drivers are typically market-driven and come into play when a firm foresees or addresses a risk related to the social, labor, or environmental consequences of a particular business practice (Table 1.1). By recognizing potential risks and seeking to mitigate them, firms are motivated to adopt more responsible approaches to maintain or enhance their reputation, meet stakeholder expectations, and ensure long-term sustainability.

Table 1.1: Drivers of Corporate Social Responsibility

Drivers	Incentives and Risks
Economic	Company image and reputation, risk management, competitive advantage, pressure from internal stakeholders
Social	Pressure from external stakeholders such as nongovernment organizations, civil society organizations, local communities, research output
Political	Political pressure, license to operate
Legal	Laws and guidelines

Source: P. Mazurkiewicz. 2004. Corporate Environmental Responsibility: Is a Common CSR Framework Possible? Washington, DC: World Bank Group.

The state is critical in ensuring the infrastructure and institutional environment that companies need to operate successfully. States can intervene in business more or less directly to facilitate CSR. Indirectly, the government can promote increased CSR by holding conferences and promoting the topic through public discourse (Brejnholt et al. 2020). The more direct approach can create incentive schemes such as subsidies or tax cuts for companies engaging in CSR (Schneider and Scherer 2019). In the United States, the rise of CSR is viewed as a large-scale societal change, such as the civil rights movement and consumerism (Waterhouse 2017). Environmental concerns prevailed in Europe, with emphasis on the concept of sustainability over the idea

of CSR (European Commission 2002). In Japan, CSR traditionally has been communicated through privileges to workers and environmental reporting (Mahmud 2022). In India, CSR is often associated with acts of generosity or charity to social causes such as environment, health, education, and sports. An examination of the situation reveals that an increasing number of companies include their social, environmental, and ethical performance in sustainability reports, which are part of an annual filing system indicating a growing trend toward reporting such information to stakeholders (KPMG India 2008).

The biggest disparities between the spread of CSR in India and the strategies in other parts of the world are that the Indian administration mandates spending and that CSR is understood as a path to mitigating the adverse consequences of business actions on local communities. Tracing the history of CSR in India over a century provides insights into the growth trajectory of this practice, encompassing the culture change at the corporate level in embracing CSR and in managing businesses in a way that generates positive outcomes for the societies, environment, culture, and communities in which they operate. The foundation of CSR lies in the belief that addressing social issues is not only the responsibility of public policy, but also corporations should be accountable for their social impact (Petkoski and Twose 2003). Therefore, corporations must address the difficulties and problems that governments typically handle. Although India is among the countries with a rich history of CSR, efforts to raise awareness among Indian entrepreneurs regarding the significance of social responsibility as part of their business operations has not yielded significant results. The concept of CSR is still not widely acknowledged in India (Parekh 2015). To achieve this objective, the approach to CSR must align with traditional business practices which involves setting specific goals, considering potential investments, and measuring and reporting on progress.

1.5.1 CSR in India: The Evolution Story

The history of CSR in India is comprehended as different approaches toward this practice over 2 centuries, segregated into five phases with overlapping features (Table 1.2). Interestingly, these phases run parallel to the country's political and socioeconomic development.

A. The First Phase

Charity and philanthropy dominated the first phase of the CSR evolution with tremendous influence from culture, religion, family values, and tradition (Nagwan 2014). The pre-industrialization era (up to 1850) saw wealthy merchants extend help in the form of food and money during

times of famine and epidemics (Nagwan 2014). This gave them social standing, and they parted with a proportion of their wealth for religious causes such as building temples. When India became a British colony (1850s onward), the CSR approach changed. During the 19th century, great industrial families such as Tata, Godrej, Bajaj, Modi, Birla, and Singhanian devoted selfless efforts to social and industrial development (Nagwan 2014). Often backed by political motives and objectives, the caste division prevalent in Indian society influenced their initiatives.

B. The Second Phase

The pre-independence years (1914–1946) stressed the Indian business houses to strive toward social upliftment. Mahatma Gandhi (1939) introduced the concept of trusteeship, which required Indian industrialists to utilize their wealth toward nation-building and socioeconomic development (Nagwan 2014). He regarded Indian companies as “temples of modern India” and said, “I desire to end capitalism almost, if not quite, as much as the most advanced socialist. But our methods differ. My theory of trusteeship is no makeshift, certainly no camouflage, and I am confident that it will survive all other theories.” His influence led to Indian corporates establishing trusts, which ran and funded schools, colleges, and training and scientific institutions. These trusts operated on the Gandhian model, also known as the *ethical model*, and strived toward the abolition of untouchability, women empowerment, and rural development, ultimately promoting self-reliance.

C. The Third Phase

In post-independence India, the *statist model* (or the Nehruvian model, named after Prime Minister Jawaharlal Nehru) of CSR was popular (Arevalo and Aravind 2011). During 1947–1980, this phase witnessed the development and expansion of public sector undertakings (PSUs), owned and controlled by the state (central and/or state governments). This gave the economy a socialist characteristic, but private sector participation ensured the “mixed economy” feature. The public sector was seen as the primary force behind development, with little attention paid to the private sector (Nagwan 2014). Private industrialists faced numerous restrictions and regulations, such as high taxes, industrial licenses, and other measures, which created an environment conducive to corporate misconduct. This in turn resulted in the introduction of new laws related to corporate governance, labor practices, and environmental concerns. As time passed, questions arose about the effectiveness of PSUs in the wake of equitable distribution of resources among the downtrodden. This led to a shift in public expectations and required

the private sector to play a bigger role in the country's socioeconomic development. In 1965, a national workshop on CSR organized by Indian academics, politicians, and businesspeople emphasized transparency and accountability through stakeholder participation (Nagwan 2014). Despite these efforts, CSR could not gain the desired momentum.

Table 1.2: Evolution of Corporate Social Responsibility in India

Timeline	State of Economy	Role of the Government	State of Corporate Social Responsibility
1850–1913	Industrialization	Colonization by the British	Family business-based charity
1914–1946	New industries faced entry barriers	Colonization	Played an instrumental role during India's struggle for freedom
1947–1959	Socialist motives; protectionist policies for the public sector	Government introduced 5-year plans as a road map for growth and development	Supportive; corporates launched rural projects
1960–1990	Stringent rules and regulations	"License raj"; failure to achieve development targets	Formation of corporate trusts
1991–2012	Liberalization	Drop in production; expansion in social provision	Family trusts, private–public partnerships, nongovernment organization sponsorship
2013–present	Globalization	New reforms to manage prevailing inequality and liberalize the economy further	Law mandating 2% corporate social responsibility spending by qualifying companies

Source: Authors.

D. The Fourth Phase

This phase (1991–2012) is synonymous with the transformation of traditional CSR into a core business strategy. The economic catastrophe of 1990/91, when the country faced currency hardship and rising debt, forced India to open its doors to international players under the liberalization regime as the Government of India sought international financing. Licensing systems and controls were withdrawn to a greater extent, providing an equal yet competitive ground to international

players. This boosted the growth of the Indian economy, and the upward spiral prompted Indian corporates to look at social causes from a different perspective. Rapid globalization transformed India into a manufacturing hub. Growing concerns about labor and environmental degradation in industrialized countries led to heightened vigilance among Indian exporters to comply with international standards. This led to active participation of internal and external stakeholders. The Indian economy witnessed a transition from philanthropy to a more liberal model and the ongoing stakeholder participation model (Table 1.2). Interestingly, growth in CSR spending did not cause a substantial reduction in philanthropic subsidies and donations (Seth et al. 2022).

E. The Fifth Phase

The economic reforms at the onset of the 1990s unlocked the Indian economy to global competition and privatization. Still, rampant poverty and expanding rifts between diverse income groups challenge the Indian economy (Kapoor and Duggal 2022), which generates alternatives for CSR to participate in growth. CSR in India has always been associated with social interest and advancement. The broad sentiment in India is that the increased gross domestic product growth rate of the past phase could not percolate to rural India to lift people above the poverty line (Kapoor and Duggal 2022). India made history on 1 April 2014 when it became the first country to legally mandate CSR. It led the world in this revolution of spending on and reporting CSR activities in line with Section 135 of the Companies Act, 2013 (Ministry of Corporate Affairs 2013). This requirement applies to companies that have (i) an annual turnover of ₹10 billion (\$134 million) or more, (ii) a net worth of ₹5 billion (\$67 million) or more, or (iii) a net profit of ₹50 million (\$673,000) or more in the previous financial year.¹ Companies that meet the above criteria must spend a minimum of 2% of their average profits from the previous 3 years to fund CSR initiatives outlined in Schedule VII of the Companies Act for activities such as poverty and hunger alleviation, education, vocational training, health and allied services for the poor, promotion of sports, art restoration, and culture. Chapter 2 discusses in detail the applicability and penalty for noncompliance. To conclude, India has witnessed remarkable change and growth since 2014 due to the inclusion of Section 135 to the Companies Act.

¹ Approximate equivalents using 2020/21 exchange rate of \$1= ₹74.225. See Appendix 1 for detailed conversion rates used throughout the book.

1.5.2 The Conundrum Around CSR as a Regulatory Mandate in India

Regulating CSR was never an agenda for governments as it was believed to be self-regulatory or voluntary in nature, best left to the discretion of business corporations. However, the fading trust between corporations and stakeholders after the global crisis of the 2000s, financial misconduct (Enron, Satyam, etc.), and environmental deterioration from business operations prompted countries to supplement CSR with a “regulatory” angle (KPMG and UNEP 2010). The implementation of Section 135 was thus an experiment to include the private sector in India’s quest to achieve its Sustainable Development Goals. Under the regime of mandatory CSR, the role of the government is limited to a facilitator and partner for societal growth through policy implementation related to tax exemptions, recognition, and reward systems, formulating corporate governance guidelines around CSR spending and reporting, training companies on best CSR practices, and so on.

Since India became the first country in the world to legally mandate CSR spending and reporting, opinion surrounding Section 135 of the Companies Act, 2013 from academicians, think tanks, policymakers, and corporations has been polarized. Supporters of this law applauded it as a “game changer” where the private sector became a partner-in-growth with the government and civil society. Some described it as a “middle path” between growth and social stability (Sarkar and Sarkar 2015). Others consider this a paradoxical notion and CSR a voluntary act (Davis, Whitman, and Zald 2007).

Fundamentally, companies should indulge in CSR only if the anticipated benefits exceed the opportunity cost of utilizing resources in another venture, often leading to value creation (Sarkar and Sarkar 2015). This perceived notion prevented governments previously from making CSR spending obligatory. Mere reporting of the CSR activities and voluntary engagement with social causes was viewed as corporates “bending the knee,” i.e., succumbing to society’s expectations. Gangopadhyay (2012, 2014) opined, “mandated CSR has no spot in a market-driven society. It is an implicit corporate tax that is loading the corporate bandwagon with an additional financial burden, reducing the global competitiveness of Indian corporations. Companies for which CSR makes good business sense would undertake such expenditure anyway mandated or not.” Others like Karnani (2013) argued the legislation, which claims to restore gaps in governance, is instead an act of abdication by the government in delivering public goods to achieve development objectives with regard to “democratically determined priorities.” Critics of mandatory CSR labeled the law an act

of outsourcing by the government and made the private sector slog for the government’s failure to provide the desired level of growth (Sarkar and Sarkar 2015).

Most economists termed this law “implicit tax” on corporations with decentralized spending control wherein they can efficiently direct the CSR funds in projects that align with their line of operations (Sarkar and Sarkar 2015). This would lead to better, time-bound project delivery with minimal fund leakage as opposed to an explicit tax system where the probability of efficient fund collection and utilization by the government is heavily skewed toward mismanagement and misappropriation. The private sector has effectively overcome government welfare schemes marred with fund embezzlement and bureaucracy (Sarkar and Sarkar 2015). The in-depth analysis of CSR in India in Chapter 2 suggests that more companies are added to the CSR pool yearly due to the legal mandate. Even though companies spent less than before the pandemic because net profits shrank in the pandemic years, it did not break their spirit to serve the public good. Corporates continued pouring support to the state and central governments with new vigor and collectively put up a brave fight against the coronavirus disease (COVID-19), which the Government of India classified as a “notified disaster.” Further, the Ministry of Corporate Affairs declared the utilization of CSR funds for any pandemic-related activity as an eligible entry for CSR spending under the law.

1.6 Conclusion

The new legislation is a government initiative to partner with the nongovernment sector to advance India’s development. It should not be judged as the government abdicating responsibility. The embedded flexibility in selecting, implementing, and monitoring projects boosts the effectiveness and efficiency of CSR funds without interfering with the primary business motive of shareholders’ wealth maximization. With well-calibrated social and economic incentives, the private sector has willingly joined hands with the government to follow an all-inclusive growth strategy. Thus, it can be safely concluded that CSR as a practice has emerged from the margins of corporations to assume a mainstream role. In addition to evaluating the extent, range, and execution of individual CSR policies and organizational structures, it is crucial to consider the broader development consequences of CSR. For CSR to have a greater impact on world development, those who support it must address two significant challenges. First, voluntary approaches should be more strongly integrated with laws and government regulations, instead of being considered an alternative to legal instruments as they

are presently. Second, the CSR agenda should prioritize the perspective and needs of emerging countries and not just concentrate on advanced countries.

The next chapter deals with the legislative and voluntary nature of CSR across nations and particularly drives home the point of India's commendable development story, partly attributed to public-private partnerships in CSR spending.

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Appendix 1

**Table A1.1: Annual Average Exchange Rates
by Reserve Bank of India for Conversions**

Year	Exchange Rate (\$1)
2013/14	₹60.5019
2014/15	₹61.1436
2015/16	₹65.4685
2016/17	₹67.072
2017/18	₹64.4549
2018/19	₹69.9229
2019/20	₹70.897
2020/21	₹74.225

Source: The data and the annual average exchange rates per the Indian fiscal year (1 April–31 March), as published by the Reserve Bank of India. <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=21234>

2

The Legal Mandate and Its Aftermath: A Study on Indian Legislation

2.1 Introduction

In 2009, infant mortality in the Seraikala district of Jharkhand was grave. About 96% of these neonatal deaths were due to pneumonia, infections, low birth weight, suffocation due to prolonged delivery, and other complications related to childbirth. Recognizing this issue, Tata Steel Ltd. started the Maternal and Newborn Survival Initiative in the same year as part of their corporate social responsibility (CSR) efforts. The program aimed to support women from 167 low-income villages who lacked access to quality maternal health-care services. Over 200 trained workers visited households to raise awareness about health-care options, gathered current information on maternal and neonatal health, and provided supplements to improve the expectant mother's health. As a result, the infant mortality rate decreased by 33% from 2007 to 2013 (Kukreti 2020).

Chapter 1 discussed in detail highlights of the long history of CSR in India, but its prominence grew after the introduction of CSR as a statutory obligation under Section 135 of the Companies Act, 2013. Consequently, India has witnessed remarkable growth in education, health care, water, and sanitation. This chapter reflects this growth pattern with sector- and state-wise comparisons and the active role the private sector played to facilitate CSR spending even during the coronavirus disease (COVID-19) pandemic period. The chapter also deals with the CSR framework in developing and developed economies and educates readers about the intricacies of the Indian CSR regulatory framework, which other countries can replicate to some degree. Further, it provides suggestions, where applicable, to deal with the constraints that corporations report in executing CSR.

As mentioned, India is the first nation to legally mandate spending and reporting of CSR initiatives for the corporate sector. Section 135 of the Companies Act applies to all companies (carrying out business in India, including foreign companies) that during the immediate preceding year had (i) an annual turnover of more than ₹10 billion, (ii) a net worth of more than ₹5 billion, or (iii) a net profit of more than ₹50 million.¹ If a company meets any of these financial thresholds, it must allocate a minimum of 2% of its average profits from the previous 3 years toward CSR initiatives. In the case of a newly established company that has not completed 3 years since its inception, the average net profit is determined based on the financial years since its inception. Schedule VII of the law enlists broad categories of activities that qualify as CSR expenditure with the sole reason of segregating CSR from the acts of charity or donations that corporations carried out otherwise. Table 2.1 showcases the broad areas for CSR expenditure where the country aims to register a positive impact. On 23 March 2020, the Ministry of Corporate Affairs noted that expenses related to COVID-19 would be included in CSR initiatives as long as they fall under the categories specified in Schedule VII (Ministry of Corporate Affairs 2020). Eligible companies enjoy autonomy in executing CSR projects through their own trusts, foundations, registered societies, and not-for-profit entities, or collaboration with other corporations. Conscious efforts are undertaken to align the CSR law with the requirements listed in the United Nations Sustainable Development Goals (SDGs). From time to time, the Government of India releases notifications of those activities that do not fall under the purview of this law, such as contributions to any political party (directly or indirectly), activities passing on some benefits to the employees, any expenditure in pursuance of regular course of business, any activities abroad except for providing training to sports personnels, activities involving sponsorship to brand or market any product or service, and so on.

¹ See Appendix 1 for detailed conversion rates used throughout the book (\$1 = ₹74.225).

Table 2.1: Activities Listed in Schedule VII of the Section 135 Companies Act, 2013

Corporate Social Responsibility (Schedule VII of Companies Act)	
1.	Eradicating hunger, poverty, and malnutrition, ["promoting health care including preventive health care"] and sanitation [including contribution to the Swachh Bharat Kosh set-up by the government for the promotion of sanitation] and making available safe drinking water.
2.	Promoting education, including special education and employment enhancing vocational skills, especially among children, women, elderly, and the differently abled and livelihood enhancement projects.
3.	Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, daycare centres, and other such facilities for senior citizens, and measures for reducing inequalities faced by socially and economically backward groups.
4.	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources, and maintaining quality of soil, air, and water [including contribution to the Clean Ganga Fund set up by the government for rejuvenation of river Ganga].
5.	Protection of national heritage, art, and culture, including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts.
6.	Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Paramilitary Forces (CPMF) veterans and their dependents, including widows.
7.	Training to promote rural sports, nationally recognized sports, Paralympics sports, and Olympic sports.
8.	Contribution to the Prime Minister's national relief fund [or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the government for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities, and women.
9.	Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the central or state government or public sector undertaking or any agency of the central or state government; and contributions to public-funded universities; Indian Institute of Technology (IIT); national laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organization (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR); and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting SDGs.
10.	Rural development projects.
11.	Slum area development.
12.	Disaster management, including relief, rehabilitation, and reconstruction activities.

Source: Government of India, Ministry of Corporate Affairs.

2.2 Coming of Age: The Law and Its Genesis

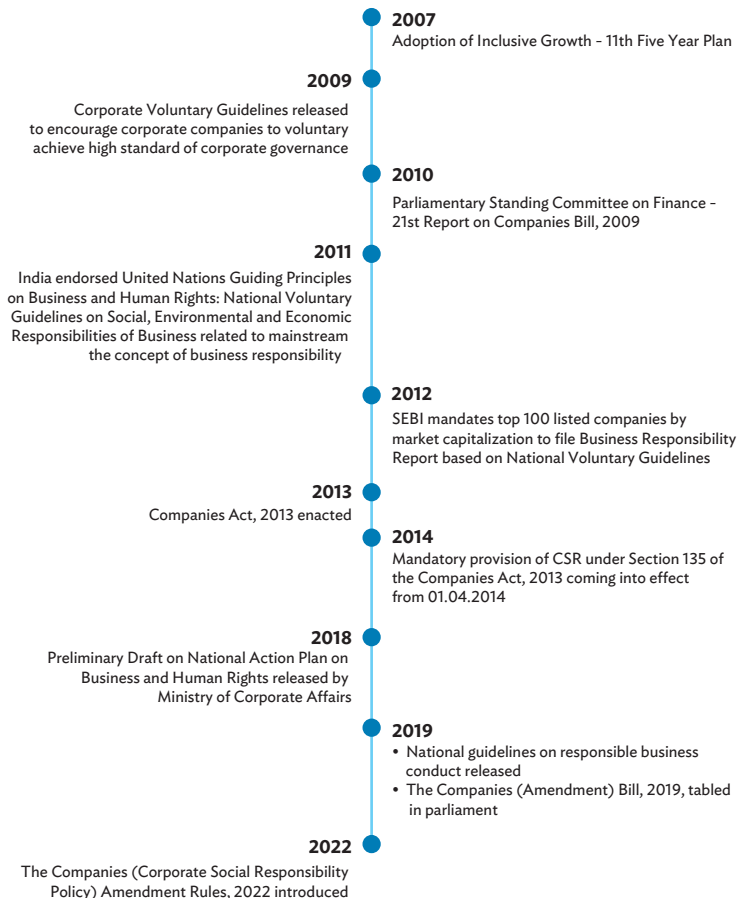
Before we look at the value addition of Section 135, let us explore how CSR moved in India and reached its present form. Since independence, almost all governments elected in India have strived for “inclusive growth.” Numerous policies and programs in the past were directed toward lifting up the downtrodden and marginalized sections of society who still fail to get included in the development path. Thus, CSR is regarded as a tool that integrates social, economic, environmental, and human development concerns into the core value system of corporations.

Figure 2.1 illustrates the genesis of CSR expenditure from a voluntary to a mandated act. After the adoption of inclusive growth as a theme under the Eleventh Five Year Plan (2007–2012), the Ministry of Corporate Affairs introduced the Corporate Social Responsibility Voluntary Guidelines in 2009, stewarding Indian businesses toward responsible business practices. These guidelines were further revised in 2011 and named the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs). The NVG principle of inclusive growth and equitable development became the core of the CSR law when the Parliamentary Standing Committee on Finance proposed integrating CSR provisions in Section 135 of the Companies Act, 2013, effective from 1 April 2014. This committee proposed statutory disclosure in corporate annual board reports, stating the reasons for not spending on CSR or spending less than budgeted as a deterrent for noncompliance with CSR implementation. It was accepted, and a format for such disclosure is prescribed in Rule 9 of the Companies (CSR Policy), Rules 2014. In subsequent years, amendments were incorporated as and when needed to provide clarity on the execution and widen the scope of implementation. The recent amendments in 2021 require an impact assessment of contributions and permit alliances with international organizations in a limited manner for CSR projects.

Figure 2.1: Evolution of Corporate Social Responsibility Legislation

VOLUNTARY TO MANDATORY

How CSR came under a legal framework in the past decade



CSR = corporate social responsibility, SEBI = Securities and Exchange Board of India.

Source: Authors' analysis based on circulars from the Ministry of Corporate Affairs, Government of India.

2.2.1 Key Features of the Indian CSR Rules

A. Formation of CSR Committee

The law mandates that a CSR committee be constituted, composed of a minimum of three directors (at least one independent director out of the three) in every company (public or private) that meets the eligibility criteria of Section 135. For a foreign company, the minimum requirement is a minimum of two directors, of which at least one director must be an Indian national resident. The parent company can directly nominate the other director. The primary duty of this committee is to draft and execute the CSR policy of the company in line with the law, indicating the proposed projects and related expenditures. It monitors the CSR implementation closely to ensure transparency and adherence. The law requires a company to spend on CSR activities beyond the normal course of business and to display the composition of the CSR committee, policy, and projects on the company website.

B. Role of Board of Directors

The board of directors of a company ensures complete adherence to the CSR policy formulated by the CSR committee with respect to CSR spending. The primary responsibility vested with the board is the formation of a CSR committee, as mandated by the corporate governance guidelines. It is the duty of the board to ensure that the company performs the CSR activities itself or in association with some other company (each company is permitted to report independently on their respective projects or programs in compliance with the regulations) or through a registered trust. A company can also partner with a registered society or nongovernment organization (NGO) possessing at least 3 years of experience in the related CSR activity. The board is responsible for verifying that the CSR budget has been used for the proposed activities outlined in the CSR policy, which is approved by the chief financial officer or the person in charge of financial matters. Additionally, the board has the authority to make changes to the CSR plan to ensure that the projects are carried out smoothly within the specified deadlines.

C. CSR Expenditure

The legal requirement specifies that the administrative expenses related to CSR should not surpass 5% of the total CSR expenditure for that year. Furthermore, any revenue generated from the CSR activities should be used solely for a particular project and not incorporated as profits from regular business operations. This revenue can either be transferred to an unutilized account (to be used in future CSR activities) or directed toward the funds listed in Schedule VII within 6 months after the end of

the financial year. Also, any excess spending over the budgeted CSR can be adjusted up to 3 financial years in succession after a Board resolution to that effect.

D. Utilization of Unspent Money

The board must provide an explanation for any unutilized or underutilized CSR funds in its annual report. Any unspent amount should be allocated to one of the funds mentioned in Schedule VII within 6 months after the end of the financial year. For ongoing projects, unspent funds must be deposited into a designated unspent CSR account at a scheduled bank within 30 days after the end of the financial year and utilized within 3 years from the date of transfer. Any unspent amount after 3 years must be directed toward one of the funds listed in Schedule VII. The law also requires the CSR committee to continue supervising the actions (no termination or replacement) as long as there is money in the unspent CSR account.

E. CSR Impact Assessment

The CSR guidelines introduced in February 2021 state that companies that have dedicated ₹100 million (\$1.35 million) or more to CSR in the past 3 fiscal years must conduct an impact evaluation of their CSR projects that cost over ₹10 million (\$0.13 million) and have been running for at least 1 year. An independent agency must conduct the impact assessment on a project-by-project basis provided both criteria are met. In other cases, companies can perform impact assessments on a voluntary basis. An impact assessment measures a CSR project's societal contribution, discloses limitations, if any, and stresses a greater need for transparency with accountability. Before the amendment, the CSR regulations allowed a maximum of 5% of total CSR expenses or ₹5 million (\$0.07 million), whichever was lower, for impact assessments. However, the new amendment limits the cost of social impact assessments, which is considered part of CSR spending, to 2% of all CSR expenditures or ₹5 million (\$0.07 million), whichever is higher, for the relevant financial year. The amendment allows for higher spending on impact assessments for significant CSR projects.

F. Comply or Explain

The government acts as a watchdog, monitoring CSR compliance based on corporate filings and disclosures of companies on the Ministry of Corporate Affairs portal. After due examination of records, it initiates action for any violation or noncompliance by the defaulting companies. Any noncompliance relating to CSR spending, transfer, and utilization of unspent money would be subject to a legal penalty. Every defaulting

company is fined a minimum of ₹0.05 million up to ₹2.5 million (\$670 up to \$34,000), and every officer of such a company is liable to a punishment, either imprisonment of up to 3 years or a fine of minimum ₹0.05 million up to ₹0.5 million (\$670 up to \$6,700), or both.

The earlier discussion about the CSR regulatory framework in India illustrates how the country has moved from voluntary CSR initiatives with optional reporting in 2008, to a system of voluntary CSR activities with compulsory CSR reporting in 2012, and ultimately to a system of mandatory CSR activities with mandatory reporting in 2013. In the past, stakeholders' market pressure motivated companies to engage in CSR. After the introduction of Section 135, the government took a proactive role by requiring CSR reporting and spending, similar to the increasing role that governments are playing in guiding CSR in developing economies such as the People's Republic of China (Ho 2013). In the next section, we will look at the CSR measures adopted across the world to comprehend their significance based on the level of economic activity and the CSR framework.

2.2.2 CSR around the Globe

Evaluating CSR around the world requires an understanding of the different contexts of CSR in developing and developed economies. Different levels of engagement with CSR are also reflected in the approaches of different stakeholders to deliver CSR initiatives and the varying levels of impact on the community and stakeholders. The area surrounding India is rich in cultural diversity at varying degrees of economic development. Even though India was among the first countries globally to make CSR spending mandatory through a corporate law, we look at the world to understand the notion of CSR. The discussion in the next paragraphs depicts the broad gap in CSR regulations among developing and developed economies.

A. Developing Economies

Afghanistan: Afghanistan ranks low on the Human Development Index and is among the world's least developed countries (180 out of 191 according to the Human Development Report 2021/2022) and in a fragile state. (Fund for Peace 2014). As a result, the population in the country is receiving insufficient services, if at all, which are also deficient in quality. Afghanistan has no established norms, laws, or regulations to govern CSR practices. However, the government mandates environmental and social protection, economic development of targeted communities, and sustainability in negotiating large contracts for the mining sector, as stated in Chapter XV of the Mining

Regulation titled “Environmental and Social Protection” and Article 77 of the Mining Law (Ludin 2019). Two national network providers and two multinational corporations in the mobile telecommunication sector pioneered modern CSR in Afghanistan. Azizi (2017) states, “These four organisations’ discussions about CSR have two intriguing aspects. First, these firms do not prioritize internal issues like labour and working conditions or supply-chain difficulties in their explicit CSR topics. Second, there are certain differences between the CSR issues brought up by the firms in this societal approach.” While all telecommunication companies specifically target issues such as neighborhood improvement, educational advancement, and mobile services, not all of them do so for other issues. Afghanistan’s present national regulatory framework and industry-level regulations do not mention CSR as a requirement or recommendation. Similarly, as regards business–society relations, local civil society organizations do not put pressure on firms; instead, it is up to the firms to implement any social responsibility programs in the country.

Bangladesh: There is no legislative framework in place in Bangladesh that would allow CSR operations to fall under one umbrella. The decision to carry out CSR is at the discretion of the company executives. However, given the passionate push by Atiur Rahman, Governor of Bangladesh Bank (central bank), CSR activities have accelerated, notably in the banking industry (Alam 2021). Section 45(1)(a) of the Banking Companies Act 1991 empowers Bangladesh Bank to provide instructions to banking companies and financial institutions regarding the implementation of CSR. In 2008, Bangladesh Bank released directives and circulars, stating that the implementation of CSR practices was not obligatory and was left to the discretion of the companies (Imam 2020). However, in January 2022, to ensure sustainable development of the country, the central bank released new CSR guidelines that emphasized health care and environmental issues. All scheduled banks and nonbanking financial institutions can now allocate at least 30% of their overall CSR funding to supporting health care, instead of 20% previously. The new guidelines increased spending for the environment and climate change mitigation and adaptation sector to 20% of their total CSR money, up from 10% (FE Report 2022).

Bhutan: The Kingdom of Bhutan’s Companies Act, 2000 had no mention of a company’s social duty. The phrase “CSR” was introduced for the first time in the preamble of the amended Companies Act of 2016. The new Code of Conduct contains guidelines for company governance, risk management, business ethics, ownership, human resources management, and CSR. It states, “businesses will maintain a CSR fund, which the particular Company Board shall administer in accordance

with the regulations published by the Authority” (National Assembly of Bhutan 2016, p. 55). Some CSR practices in Bhutan apply only in selected significant corporations or holdings, such as Druk Holding and Investments (DHI), the commercial arm of the Government of Bhutan. The Bhutan Chamber of Commerce and Industry has vigorously supported the CSR code of the Companies Act, 2016 for years. In general, it is widely agreed that small businesses and other individuals who have their own companies should be held to the same CSR standards as large corporations. This perspective is quite distinctive and favorable compared to that of other companies around the globe. Nevertheless, based on each company’s size and position in the market, the CSR criteria should apply as appropriate (Stren 2021).

People’s Republic of China: Compared to countries in Europe and North America, where the private sector or nongovernment organizations mostly lead CSR strategies, CSR activities in the People’s Republic of China (PRC) feature a greater level of government engagement. State-owned businesses typically have more extensive CSR programs. CSR activities in the PRC include legislation, rules, government directives, nongovernment groups, and standards (Tang 2012). CSR was not specifically addressed in the PRC’s 1994 Company Law, but when it was updated in 2006, the Companies Law of the People’s Republic of China officially defined the term “social responsibility” and emphasized that businesses must uphold CSR while pursuing financial gain by requiring businesses to enter into formal employment contracts with their employees which increases the protection of labor rights, outlining the rights of trade unions that assist in concluding collective agreements with the employer with respect to salary, insurance, working hours, work safety, welfare and sanitation, and other issues (National People’s Congress 2006). Thus, broad standards for conducting business in a socially and ecologically responsible manner are listed in the 2006 Companies Law (Chen 2011), which prompted the Shanghai and Shenzhen stock exchanges to mandate CSR reporting for their listed firms. Therefore, it is accurate to describe CSR as a state-imposed duty rather than an initiative by companies to improve society (Wang 2022).

Nepal: The general level of CSR adoption in Nepal is extremely low, and many businesses are unfamiliar with its broad definition. Most CSR initiatives in Nepal are socially motivated and support the empowerment of underprivileged populations. Some corporate entities in Nepal engage in CSR activities continuously throughout the year. Many small and medium-sized enterprises have also included CSR initiatives in their operations, including ethical labor, environmentally friendly, and socially beneficial practices such as free health checks, blood donations, and so on (Maharjan 2018). According to the Industrial Enterprises Act,

2016, CSR is mandatory for (i) medium industries, with fixed capital investments exceeding NRs100 million (\$0.77 million) but less than NRs250 million (\$1.9 million); (ii) large industries with fixed capital investments exceeding NRs250 million; and (iii) cottage industries, with fixed capital investments based on traditional skill or technology, local raw materials and resources, etc.² These industries can plan their CSR projects without prior clearance from the government. Noncompliance is punitive, with a fine imposed of 0.75% of the corporation's yearly income (Maharjan 2018). In accordance with the circular of the Nepal Rastra Bank, banks and financial institutions are required to contribute at least 1% of their net profit to CSR funds in recommended areas, including a day-care center for children of staff members, direct grant expenses, sustainable development objectives, and social projects. The Nepal Rastra Bank Act of 2002 prescribes fines and imprisonment for failure to comply with its circulars (Maharjan 2018).

Pakistan: CSR is a relatively new idea in Pakistan. The laws around it are not well-defined and do not specify guidelines for multinational companies doing business in the country. Because of unsustainable market conditions, shaping CSR laws and regulations takes a long time (Ahmed and Ahmed 2011). The fundamental labor laws, consumer protection laws, environmental laws, corporate laws, Securities and Exchange Commission of Pakistan recommendations, and codes and regulations included in contracts and approval form the basis of Pakistan's legal framework for CSR (Yu et al. 2019). The Securities and Exchange Commission, the regulatory authority, issued the Companies (Corporate Social Responsibility) General Order, 2009, which is discretionary. This may explain the casual approach of Pakistani corporations toward the general directive (Akhtar and Zia 2022).

Sri Lanka: CSR may significantly improve the lives of the poor and reduce negative externalities as a corporate strategy that goes above and beyond legal compliance (Heenetigala 2016). In the absence of basic law enforcement and compliance, CSR is run on a voluntary basis (Heenetigala 2016). In accordance with the policy of the Sri Lanka Accounting and Auditing Standards Monitoring Board, issued in 2004, all listed firms document their CSR contributions and activities in separate parts of their annual reports in accordance with International Financial Reporting Standards (Tilakasiri 2013). However, Sri Lankan businesses exaggerate their CSR initiatives by communicating about them. Reporting on sustainability was initiated in 2013 after the implementation of an updated code of best practices for corporate governance (SECSL and ICASL 2013).

² Using United States dollar–Nepalese rupee exchange rate of \$1 = NRs130.

B. Developed Economies

Japan: Although there are no legislative requirements in Japan for sharing corporate CSR information, businesses have been voluntarily disclosing information through their CSR reports, among other means. Assurance reports are included in some CSR reports, most of which are produced by the Japanese Institute of Certified Public Accountants. According to an early study on CSR issues by Lewin et al. (1995), Japanese businesses were aware of CSR, but tended to forgo formal administrative procedures, which were preferred by European and North American businesses. Contrary to this, Tanimoto and Suzuki (2005) note that “Japanese enterprises mostly use cultural mechanisms such as philosophy and guiding principles to handle such difficulties. Teams or committees are used to plan and handle the most crucial issues, and formal monitoring is used sparingly.”

Singapore: In a trade and investment-dependent economy like Singapore, CSR includes corporate governance, philanthropy, and ideas of equity and fairness. CSR is regarded and marketed in line with Singapore’s political norms, where harmony and consensus are essential characteristics, requiring firms to consider their economic, social, and environmental implications (Tan 2013). Singapore has chosen to promote CSR via a tripartite strategy involving the government, employers, and unions. The Government of Singapore has arbitrarily set limits in the context of command and control. Furthermore, according to the government, developing standards and values is the only way to put CSR into practice (Choudhury 2019). The nation’s corporate governance code urges domestic businesses to adhere to high governance standards in this regard (Thomas 2009). Additionally, CSR is marketed in Singapore as a complementary method to doing business rather than a substitute (Tan 2013). The increasing prevalence of sustainability reporting and mainstream CSR initiatives among Singaporean enterprises demonstrates the crucial role of environmental factors in maintaining sustainable business practices (Choudhury 2019).

Germany: The German Bundestag passed a bill strengthening corporations’ nonfinancial transparency in reporting, including the CSR reporting regulation, in March 2017. The legislation requires all German public companies, credit institutions, and insurance companies to submit yearly reports on environmental and employee-related activities, social issues, respect for human rights, and the fight against corruption (kreit-adm 2017). This requirement extends to credit institutions and insurance companies with (i) a workforce of more than 500 employees and (ii) a balance sheet of more than €20 million or annual revenues of more than €40 million (Andreae et al. 2021). Qualifying companies must describe (i) their pertinent policies and due diligence procedures,

(ii) the outcomes of their due diligence, (iii) the key risks pertaining to each of the nonfinancial areas they have covered, and (iv) the important nonfinancial performance indicators they measure. These data must be included in the annual report, published concurrently with the annual report, or released within 4 months of the annual report's release. The necessary data must be accessible on the corporate website for 10 years (Andreae et al. 2021).

United Kingdom: CSR is not a requirement for businesses to engage in under United Kingdom (UK) law, but merely a voluntary activity, and there is no legislation to control and oversee it. A business using the “triple bottom line strategy” must adhere to the rules set forth in the Companies Act of 2006. The directors of corporations have an obligation to address the social and environmental effects of their businesses because of this statute. Currently, CSR is covered by various legislations such as the Working Time Regulations (2001), the Health and Safety at Work Act (1974), and the Accounts Modernization Directive, which mandate that major public limited companies openly report environmental hazards. These laws merely serve as guidelines for businesses investing in CSR initiatives; they do not impose any requirements on them to do so. According to the Confederation of Business Industry, companies in the UK make voluntary investments in CSR based on their competence and capacity (Rawat 2022).

United States: Formal certification systems and soft laws encourage corporations to execute and disclose their CSR-related actions in the United States (US). Several US government agencies actively utilize CSR initiatives in domains including corporate citizenship and human rights, labor and supply chains, anticorruption, energy, the environment, and health and social welfare (Camilleri 2017). CSR reporting is not regulated in the US and therefore encompasses a wide range of reports, including so-called environmental, social, climate change, carbon, triple bottom line, and sustainability reports. The overarching idea is that a CSR report is distinct from the annual report and provides qualitative and quantitative nonfinancial data (Cecil 2008).

The above discussion points to a lack of CSR laws and regulations in developing economies, directly impacting the level of growth as businesses do not infuse money toward social good. Developed economies, however, have lifted CSR to a level where it has become an intricate part of corporate governance and reporting. Despite the voluntary nature of CSR, corporations in developed economies have embraced the concept of CSR and embedded it in their DNA, translating into quantifiable and measurable business plans and action. It is for the least developed countries to partner with corporations to create a ripple effect.

2.3 The Social Impact

It is imperative to gauge the efforts of Indian companies executing CSR projects to comprehend the impact of CSR spending in sectors calling out for immediate attention. This research is based on secondary data available on the national CSR portal maintained by the Ministry of Corporate Affairs (data as of 15 January 2023). It assimilates CSR-related information that companies furnish when filing mandated reports such as their director's reports, among others. The ministry updates the portal quarterly, and this study considers the CSR funds inflow to Indian states since the enactment of Section 135, i.e., from 2014 to 2021. In Appendix Table A2.1, states are ranked by the highest contribution received in financial year 2020/21.

2.3.1 State-Wise Analysis

A thorough analysis of CSR spending trends across Indian states in 2020/21 reveals diversion of significant amounts (Figure 2.2). More than 80% of funds go to higher industrialized states with high gross state domestic product, such as Tamil Nadu, Andhra Pradesh, Madhya Pradesh, Gujarat, Uttar Pradesh, Rajasthan, Maharashtra, and Karnataka (RBI Report 2022). For the past 5 years, states like Maharashtra, Karnataka, Gujarat, and Tamil Nadu have received more than a third of the total CSR spending. It can be concluded that corporations tend to focus on nearby communities and problems closely related to their area of operation. It helps in generating goodwill among the local community. Moreover, it acts as another source of positive motivation among employees from the same region. In 2020/21, states such as Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh received only 9% of the cumulative CSR expenditure. Incidentally, these states rank low on the Human Development Index and house more than 55% of the so-called aspirational districts (NITI Aayog Report 2022). These states have long been regarded as BIMARU (an acronym representing Bihar, Madhya Pradesh, Rajasthan, and Uttar Pradesh, meaning weak and sick in Hindi)—a term coined by the economist Ashish Bose in the mid-1980s. The poor socioeconomic performance of these states is responsible for the falling gross domestic product rate of India (Financial Express Online 2018). The states of Maharashtra, Karnataka, Andhra Pradesh, Gujarat, and Tamil Nadu, which account for only 11% of the total number of aspirational districts, continued to receive 40% of the total CSR expenditure in 2014–2018 (Appendix Table 2.1). Pradip

Narayanan of Praxis (Delhi-based nonprofit organization) attributes this disparity to corporate decision-making as companies tend to engage in CSR activities in locations where it is easy to do so, which may explain why aspirational districts, which often have inadequate infrastructure and low levels of development, are not a priority of these companies (Kukreti 2020).

Figure 2.2: Corporate Social Responsibility Spending Pattern, 2020/21

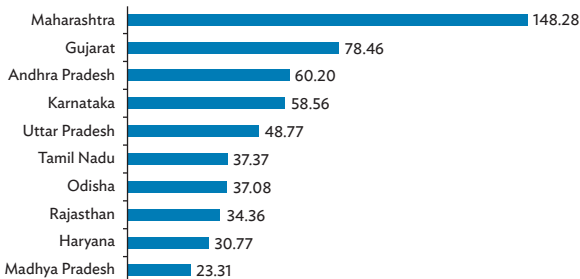
Beneficiary States

Among CSR funds for which state-wise estimation of spending is available, over 80% went to 10 states in FY2020–21

CSR spending (\$ million)



Top CSR beneficiary states in FY2020–21 (\$ million)



CSR = corporate social responsibility, FY = financial year.

Source: Ministry of Corporate Affairs, Government of India.

The data highlight a peculiar regional imbalance within industrialized states. An analysis of the CSR fund distribution in the districts of Maharashtra for 2016/17 revealed Pune and Mumbai (suburban) received the highest CSR funding (more than ₹2 billion or about \$27 million each), while districts like Hingoli, Buldhana, and Parbhani received less than ₹10 million (\$0.13 million) (National CSR Portal of the Ministry of Corporate Affairs). This spatial inequality

also exists because Section 135(5) of the CSR rules gives preference to local areas of operation for CSR spending. Therefore, the government issued a circular, which clarified that spending money in local areas is not obligatory and only suggestive in nature. Therefore, companies must strike a balance between their preference for local areas and national priorities (Ministry of Corporate Affairs 2021).

Table 2.2 reflects a demographic divide, with the small and far-flung northeastern region receiving a miniscule proportion of CSR funds. Meghalaya, Manipur, Tripura, and Mizoram were the least invested states, implying the prominence of a location factor in the CSR spending decisions of corporations (Appendix Table 2.1). Only the state of Assam witnessed steady growth in the inflow of CSR funds since the inception of the CSR guidelines in 2013, with the fiscal year (FY) 2020/21 being an exception on account of the pandemic.

Table 2.2: State-Wise Corporate Social Responsibility Expenditure, 2020/21

< \$10 million	\$10 million–\$50 million	> \$50 million
Assam	Uttar Pradesh	Maharashtra
Bihar	Tamil Nadu	Gujarat
Himanchal Pradesh	Odisha	Andhra Pradesh
Punjab	Rajasthan	Karnataka
Uttarakhand	Haryana	
Goa	Madhya Pradesh	
Nagaland	Kerala	
Sikkim	Telangana	
Meghalaya	Chhattisgarh	
Manipur	West Bengal	
Tripura	Jharkhand	
Mizoram		

Source: Data extracted from the Ministry of Corporate Affairs website.

The state of Nagaland lags behind all other states in the northeastern region in all indicators of development, with interdistrict economic inequality increasing (Ezung and Jamir 2016). The inadequate presence of corporations in certain states may be a factor in the low expenditure

in those areas.³ Additionally, the lack of investment by corporations in northeast states could be because certain regions are hard to reach, and effective implementation agencies do not exist (Kukreti 2020). A 2019 report by the Ministry of Corporate Affairs also documents infrastructure gaps in basic services such as rail, road, water, and air connectivity as plausible reasons for low CSR spending in the northeastern region. Ziipao (2018) contends the development of infrastructure in this region has the potential to accentuate the trade relations between India and Southeast Asia. Given the inadequate outcome of government efforts, corporate CSR spending seems to be a crucial source for bringing efficiency in the delivery of basic services to the people and connecting the northeastern region with India and the rest of the world. On the other hand, low CSR investment in far-off regions creates a vicious circle as low investment leads to a low industrialization rate, which leads to reduced growth of supply chains and logistics, which further leads to scanty growth of corporations. The diminishing growth of corporations then leads to low investment—and the chain continues. The data on the Gini coefficient of income highlight the widening regional inequality in India from 32.11% in 1983 to 35.9% in 2017 (World Bank n.d.). Moreover, interstate inequalities significantly drive up rural income inequalities (Azam and Bhatt 2018). Regional disparities in CSR spending can further deteriorate these income inequalities and lead to unbalanced regional development (Thadikaran, Indu, and Chellaswamy 2021).

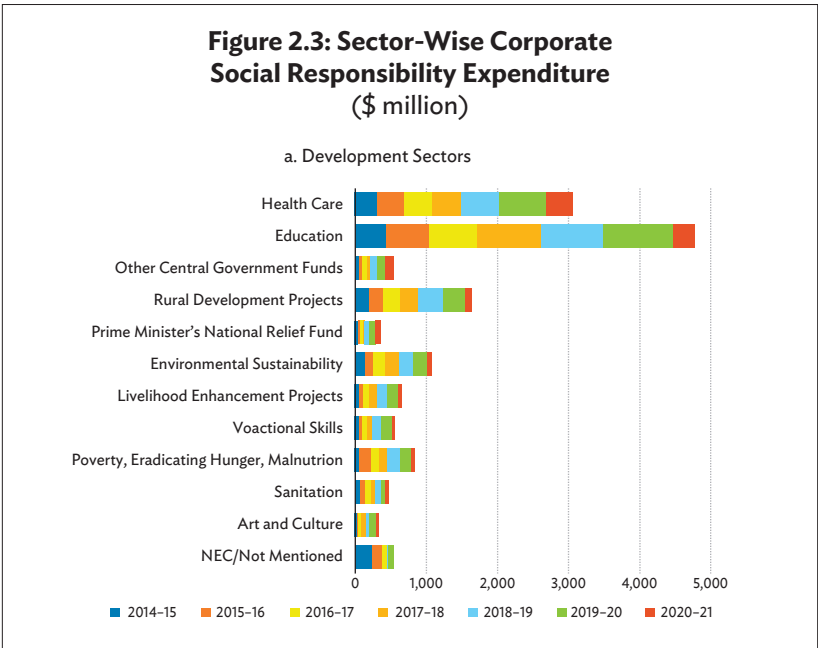
2.3.2 Sector-Wise Analysis

Schedule VII lists 12 areas for CSR spending, but a careful study of sector-wide spending in the past 7 years indicates a preference toward education, health, rural development, and environmental sustainability. Even in FY2020/21, sectors receiving the maximum CSR funds are health care and education, accounting for two-thirds of all CSR expenditure (Appendix Table A2.2). Kukreti (2020) reasons that industries such as health care and education usually have a clear outline and CSR activities are relatively uncomplicated to undertake. Furthermore, these pursuits produce concrete outcomes that are simple to gauge, providing corporations with readily available data. Nonetheless, environmental undertakings have not been a major focus for companies. Figure 2.3a, based on data in Appendix Table 2.2, shows the CSR contribution toward the health-care domain during FY2020/21 rose by 30%, while other

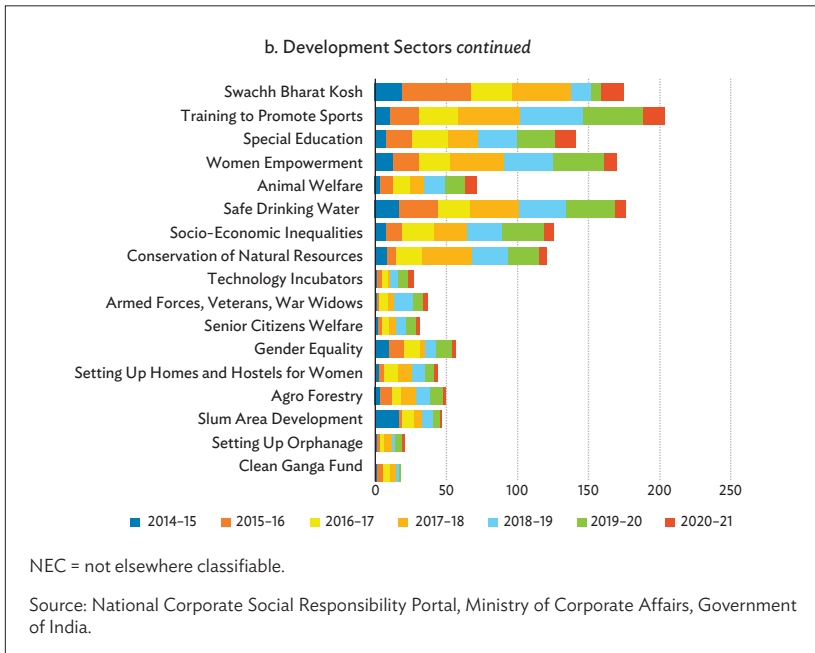
³ Interview with Gayatri Subramaniam, Director, Association of Women in Business, a Delhi-based nonprofit organization.

sectors such as education and environmental sustainability had drastic falls of about 18% and 36%, respectively. Studying the contribution in the education sector revealed that some organizations allocated funds toward constructing toilets or related infrastructure which were grouped under promoting education. Building on the same argument, Manku (2017) reports education is widely embraced as the sector tackles a multitude of social problems, which also explains why there has been less focus on setting up orphanages and other sectors.

According to Sheth et al. (2022), a large proportion of CSR funds were directed toward COVID-19 relief activities, which were also added to the set of sectors where CSR funds can be utilized. Moreover, the Ministry of Corporate Affairs allowed companies to include the funds firms spent on providing COVID-19 relief facilities to their employees and families as CSR activities. Further, funding of CSR projects aimed at rural development saw a decline by 15%. Funds allocated for livelihood, skill development, drinking water, sanitation, and sports combined declined 17% year-on-year (Figure 2.3b). At the same time, the Prime Minister’s pandemic relief funds increased a whopping 112% during FY2020/21.



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Figure 2.3 *continued*

Corporate-Level Analysis

Data indicate that growth in the number of companies involved in CSR activities has been stable from 2014/15 to 2020/21. Only 18,102 companies engaged in CSR activities in FY2020/21, which was a slight fall from 22,953 firms who engaged in some sort of CSR activities in FY2019/20 (Table 2.3). Moreover, engagement in CSR activities among non-PSUs (private sector) has grown, with the number of organizations involved increasing from 16,055 in FY2014/15 to 22,475 in FY2019/20 (Figure 2.4). At the same time, PSUs engaged in CSR activities started falling after FY2015/16, with only 478 PSUs contributing toward CSR in FY2019/20. This decline can be attributed to rising mergers and privatization of PSUs in the past 10 years. However, in FY2020/21, both the PSU and non-PSU sectors saw a steep fall in the number of organizations engaged in CSR activities. Jayaswal (2022) attributed this drop in CSR spending to the impact of the COVID-19 pandemic and its subsequent waves. Companies redirected most CSR funds to the Prime Minister's pandemic relief fund during the initial lockdown period of 6–7 months in the previous financial year, which prevented them from executing planned activities on the ground. Other potential

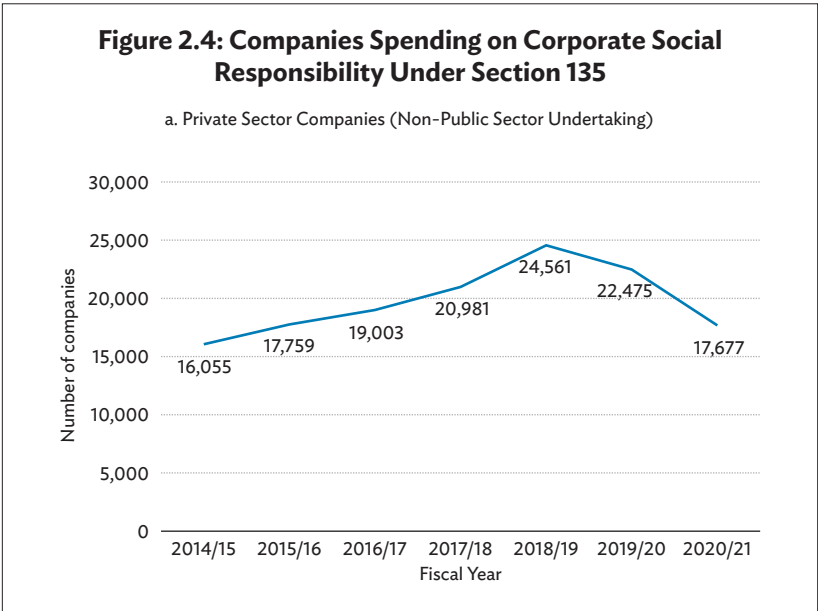
contributing factors include the complex compliance procedures, the new amendments introduced in January 2021, and the exclusion of NGOs in 2019 and 2021 (Jayaswal 2022).

Table 2.3: Companies Contributing to Corporate Social Responsibility

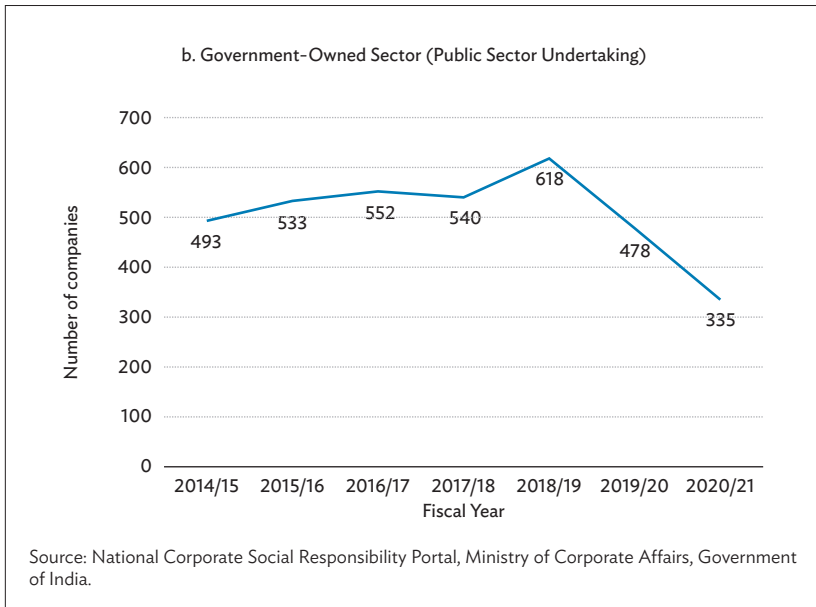
Year	Private Sector Companies (Non-PSU)	Amount Spent (\$ million)	Government-Owned Sector (PSU)	Amount Spent (\$ million)
2014/15	16,055	1,185.59	493	460.69
2015/16	17,759	1,573.66	533	643.77
2016/17	19,003	1,654.65	552	491.49
2017/18	20,981	2,086.30	540	566.45
2018/19	24,561	2,284.36	618	604.09
2019/20	22,475	2,771.22	478	748.64
2020/21	17,677	2,860.75	335	603.66

PSU = public sector undertaking.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.



continued on next page

Figure 2.4 *continued*

Notably, the share of the non-PSU sector in CSR spending increased from 72.02% in 2014/15 to 82.56% in 2020/21. The private sector continues to lead the CSR bandwagon, with companies like Reliance Industries Limited spending the maximum on social impact projects since the inception of the CSR law. Looking at individual organizational performance, Table 2.4 shows that Reliance Industries continued to be the highest contributor toward CSR-related expenditures since FY2013/14. Furthermore, the organization tries to weave its social responsibility into its business strategy to ensure longevity. In second place is Tata Consultancy Services from the Tata Group, an organization that considers its CSR efforts as a tradition rather than an obligation, in total contributing more than ₹10 billion (\$137 million) to CSR activities. Other top performers include HDFC Bank, Infosys, ITC, Wipro, and ICICI Bank (Figure 2.5).

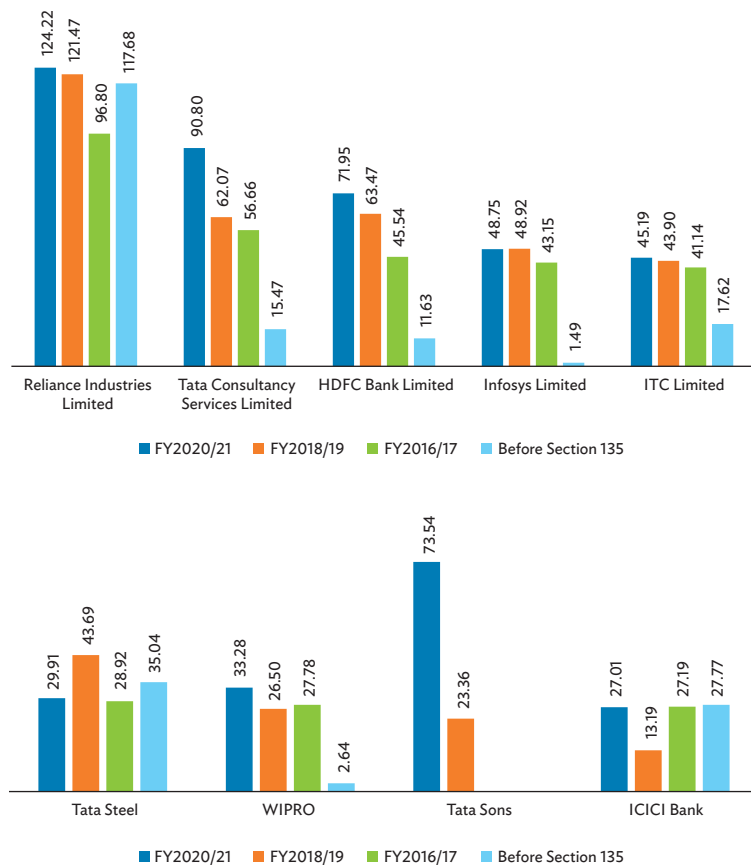
Table 2.4: Top Corporate Social Responsibility Performers
(\$ million)

	2013/14 (before Section 135)	2016/17	2018/19	2020/21
Non-PSU Companies				
Reliance Industries Limited	117.68	96.80	121.47	124.22
Tata Consultancy Services Limited	15.47	56.66	62.07	90.80
HDFC Bank Limited	11.63	45.54	63.47	71.95
Infosys Limited	1.49	43.15	48.92	48.75
ITC Limited	17.62	41.14	43.90	45.19
Tata Steel Limited	35.04	28.92	43.69	29.91
Wipro Limited	2.64	27.78	26.50	33.28
Tata Sons Private Limited	NA	NA	23.35	73.54
ICICI Bank Limited	27.77	27.19	13.19	27.01
PSU Companies				
Oil And Natural Gas Corporation Limited	30.25	75.28	83.93	71.60
NTPC Limited	21.21	41.42	40.82	56.43
Indian Oil Corporation Limited	13.54	31.90	66.95	59.96
NMDC Limited	25.26	26.57	23.92	21.37
Power Grid Corporation of India Limited	4.47	21.97	27.96	32.40
Mahanadi Coalfields Limited	18.43	24.84	23.91	27.66
Bharat Petroleum Corporation Limited	5.68	11.54	25.48	19.47
Power Finance Corporation Limited	7.32	25.06	14.37	35.30
Oil India Limited	12.05	16.16	19.08	14.18
Central Coalfields Limited	4.45	4.52	5.88	7.63
Bharat Heavy Electricals Limited	17.95	3.99	2.29	1.94

PSU = public sector undertaking.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

Figure 2.5: Corporate Social Responsibility Spending of Non-Public Sector Undertakings
(\$ million)



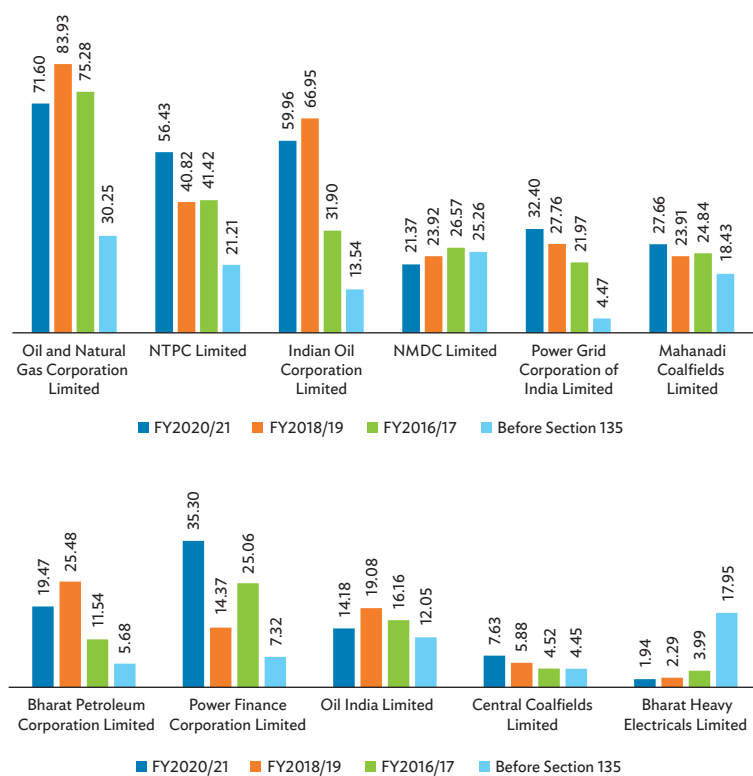
FY = fiscal year.

Note: Tata Sons Pvt. Ltd. is the parent company of Tata Group, India. Loss reported by the company; hence, no CSR spending.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

While these were promising results, the state-led enterprises contributed 17.44% of the total CSR expenditure in FY2020/21. Among these, the top performers include Oil and Natural Gas Corporation Limited, NTPC Limited, Indian Oil Corporation Limited, and NMDC Limited (Figure 2.6). The contribution of PSUs toward CSR activities has been falling consistently. However, on 5 April 2022, the Department of Public Enterprises (2022) reported that during FY2022/23, PSUs would be focusing their CSR expenditure on the health and nutrition sector, showing some positive signs of recovery.

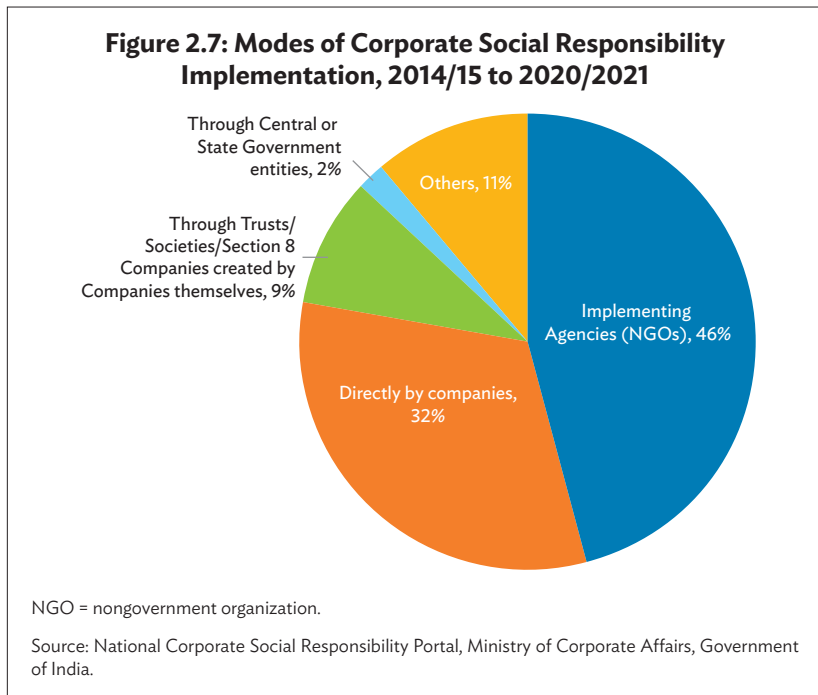
**Figure 2.6: Corporate Social Responsibility
Spending of Public Sector Undertakings
(\$ million)**



FY = fiscal year.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

Data from the Ministry of Corporate Affairs (2022) show increased dependence on implementation agencies like NGOs as the preferred mode for executing CSR projects. In 2014–2021, 46% of the total CSR funds companies spent was through such implementing partners. The presence of these NGOs in local areas with the right connections and experience to execute social projects is the primary attribute for this upward trend. Companies spent 32% of their CSR funds directly, 9% through trusts, societies, or section 8 companies created by parent companies themselves, and 2% through central or state government entities (Figure 2.7).



One aspect of CSR spending at the management level shows promise. In 38% of companies with women as CSR committee members, a woman was the chair of the committee in FY2019/20. This clearly indicates embedding the “engendering process” in CSR initiatives at the board level with greater representation of women. Further, India’s CSR Reporting Survey 2019 (KPMG India 2020) found that companies with

a woman chairing their CSR committee have significantly increased their CSR spending on initiatives aimed at reducing gender inequality. The percentage of their CSR expenditure toward this cause has risen from 14% in 2016/17 to 42% in 2018/19, representing a remarkable 200% increase that indicates these companies have made gender budgeting a fundamental aspect of their CSR philosophy.

Compliance is a silent yet powerful catalyst in the growing prominence of CSR initiatives. There is a promising upward trend in companies spending more than the prescribed CSR budget (Table 2.5). The pandemic hit companies' bottom line, and CSR spending registered a dip. The number of companies that spent less than the prescribed amount on CSR rose from 3,347 in 2016/17 to 5,066 in 2019/20. The data on zero spending by eligible companies are alarming, with a 30% increase in noncompliance from 2016 to 2018 (Table 2.5), leading to the provision of penalties in the CSR guidelines in January 2021. A mere explanation in the annual report for not spending or noncompliance no longer suffices. Every defaulting company is liable to pay a fine of least ₹10 million (\$0.13 million) and every defaulting officer at least ₹0.2 million (\$2,965).

Table 2.5: Companies Complying with Corporate Social Responsibility Guidelines

Year	More Than the Prescribed 2%	Exactly as Prescribed	Less Than Prescribed	Zero Spent
2016/17	3,656	1,861	3,347	10,718
2017/18	4,945	1,066	3,771	11,745
2018/19	6,331	742	4,132	13,980
2019/20	6,877	792	5,006	10,435
2020/21	9,645	1,453	3,864	3,227

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

2.4 Impact of COVID-19 on CSR Spending in India

The World Health Organization classified COVID-19 a global pandemic, and the disease severely affected global socioeconomic conditions. The Government of India designated the outbreak in the nation a “notified disaster” on 14 March 2020 in what was referred to as a “special one-time dispensation” (Choudhary et al. 2020). The pandemic brought on three policy changes that impacted the amount and type of CSR expenditures. The initial policy modification allowed CSR funding to be used for pandemic-related activities. Spending on preventive health care and sanitation, ex gratia payments to temporary and/or casual workers over and above daily wages, and quarantine facilities for those affected, among other expenses, could be considered CSR spending, in addition to contributions to the PM CARES Fund and the State Disaster Management Authority (Sundar 2020).

The second policy modification allowed for a 100% tax deduction for all donations made in support of pandemic-related initiatives. The third let businesses that gave more than the minimum required amount apply the surplus to the CSR duty that would arise in the following years if they so chose (Sundar 2020). The notification also permitted governments to direct funds into initiatives oriented toward screening, such as purchasing the necessary equipment or setting up testing laboratories, in addition to using these funds as part of their containment measures (Choudhary et al. 2020). As a result of the government’s announcement that any sum donated by businesses in support of the fight against COVID-19 will qualify as CSR, many businesses either contributed to the PM CARES Fund or used their funds for other initiatives that benefited people’s health and prevented hunger (Koli and Mehta 2020). Companies also provided for the daily needs of construction laborers and other underprivileged people, rations and food, sanitizers and masks, and medical support to hospitals and states to access essential medical equipment, train frontline workers in protecting themselves against the virus, vaccinations, and other measures (Koli and Mehta 2020).

The pandemic has also affected companies’ CSR spending in India. The amount spent on CSR decreased by 65% in 2020/21 compared with 2019/20. Minister of State for Corporate Affairs Rao Inderjit Singh stated in the Lok Sabha (the lower house of India’s Parliament) that CSR expenditures were only \$1,189.37 million in 2020/21, compared with \$3,482.33 million in 2019/20 and \$2,881.79 million in 2018/19. The number of businesses with CSR-related expenditures likewise fell precipitously in the pandemic period. Only 1,619 businesses invested in

CSR initiatives in 2020/21, compared with 22,531 in 2020/19 and 25,099 in 2018/19 (Mishra 2021).

However, the corporate sector continued to support government efforts.⁴ For example, Samir Sharma, CSR Head at ACC Ltd., shared, “During the Covid pandemic period, all other activities which we are doing through different projects suddenly got a hit, but all our attention was diverted towards arresting the spread of Covid 19. All our CSR teams were focused completely on how we could control this spread. The company has made many efforts like supplying oxygen cylinders, putting up an oxygen plant, supplying masks, sanitizing the whole village, and helping the village get the booster dose, the first Covid vaccination, and the second Covid vaccination. Most of the state governments where we are present have appreciated ACC’s work. And right from the supply chain, we also took care of not only the employees and their families but also the wage workers, the migrant labor, which were there. We helped them reach their hometown and supplied them with rations. So, all that stuff was done in a very big manner, and we are able to spend all the funds. The management never egged on not spending on Covid, but I think they spent a little much more than we expected during that time.” Guru Moorthy at Juniper Networks India said, “We did a lot of things beyond the practice. So other than the first lockdown I was always on the field, and most of the partners were also working in the field. We took things related to COVID also in those places. For example, the schools were not open for a long time, so our partners, and teachers went to individual households, and we used to order the appropriate technology possible to teach somebody. We ran vaccination camps and COVID awareness programs and everything related in villages. And then there was a need last year, particularly during the second wave, for the companies to set aside funds for medical support. Last year close to 30% of funds went to COVID response. We helped set up 2 hospitals with the help of state officials in Bangalore, and we enhanced the ICU capacity in a couple of hospitals. We helped set up a helpline and oxygen concentrator plants for the charity. There was a hit on the plan, but we were able to manage that. We moved the regular projects to the current year and continue spending on them.”

⁴ Interviews conducted as part of this research work, as presented in Table 5.1. Please refer to Chapter 5 for a more detailed discussion.

2.5 Roadblocks in CSR Execution

As noted, part of the research work for this book involved interviews with the CSR heads of companies from different sectors: Juniper Networks India (IT), Diageo India Limited (beverage), ACC Limited (cement manufacturing), Mahindra & Mahindra Limited (farm equipment), DHL Limited (logistics), and Legrand India Private Limited. These interviews revealed some underlying hurdles to effective CSR implementation.

Finding the apt implementation partner remains the biggest mystery box for corporations, especially in the remote and rural areas of the country. As Guru Moorthy from Juniper Networks puts it, “The good part does not come easy. It is a human mindset that not all the NGOs are clean and that there are problems everywhere, such as efficiency or financial or transparency problems. So, identifying the right partner and working with them is not easy. So that is definitely one challenge.” Finding long-term, scalable, self-sustaining, and impactful projects is another challenge. The effective utilization of CSR funds is hindered by the absence of easily accessible and well-organized data, as well as a limited understanding of the underlying causes and insufficient organizational due diligence (Bain & Company 2022).

One unique issue is the lack of awareness about CSR initiatives resulting in low community participation. Poor communication between the company and the beneficiary community often leads to projects failing to garner the desired impact. Lack of transparency negatively impacts trust building between implementing partners, the company, and the local community. Inadequate coordination among companies operating in a specific region regarding CSR initiatives results in redundant efforts and excessive investment in similar projects. “Today, unfortunately, a lot of duplication happens in many places. So, on the ground level, we ensure that wherever we work, there is no duplication of activities by other companies. So, if some other company comes to the panchayat where we work- we go, meet, and tell them to go and work in some other area so that your time, money, and energy is not wasted. Interestingly, visit the Anekal-Jigani area, the industrial belt in Bengaluru, and you will see five companies that have built 5 toilets, none of which are used. All 5 companies installed RO Plants. So, these duplications can be avoided,” says Guru Moorthy. He further adds, “For the waste management program, one of the panchayats has a budget allocation of ₹2 million (0.03 million approx.) from the central government, but it took 2 years for us to get the funds to the community.” Hence, red tape, bureaucracy, and delays in regulatory clearances hinder the smooth execution of CSR projects.

Navdeep Singh Mehram, CSR Head, Diageo India shares, “if we want to do a water replenishment project in a community (for government water body say a pond); to access that government water body, I need to seek permission from the village panchayat, which takes time, with a lot of permissions and hitches. I need to do a lot of explaining, and the community or sometimes the government officials (not to blame the government officials), they say, what is your interest in that geography? Why do you want to do it, so we need to go through those kinds of challenges, which are very operational, but very important. Sometimes it is demotivating for our NGO partners. As a corporation, we set very tight timelines. However, my NGO partner is still waiting for permission from the government officials for some operational challenges.” R. S. Subramanian, CSR Head-DHL India, points out, “regulatory compliance requirements are a bit complex. Still, you have to get your head around it, that is one big challenge. Also, the certification and clearances that the different NGOs need to have (as demanded by the CSR Act) must be interpreted well so that we are on the right side of the regulations. The biggest challenge is choosing the right courses, knowing that an organised NGO will walk the talk and deliver what they promise. These entities have the ground infrastructure, intent, and resources to tell that the money we are deploying will go to the right cause. That is the only line of sight we want to ensure, and it takes some effort.”

On the implementation side, a mismatch of objective, speed, and agility between the corporation and the implementing partner is a deeper concern. “On one hand, the government is telling us to work in the skill development area, but when we plan any centre of excellence with ITIs (Industrial Training Institute) as we are pioneers and have industry experts, subject matter experts, there is a mismatch of objective, speed, or agility. Most companies face the same problem. The difficulty is when we approach these ITIs with the good intention of setting up a world-class art facility to help the students to get equipped with skills through our subject matter, unfortunately, these government-affiliated ITIs or the related authorities are not proactive or supportive, and our enthusiasm gets lost,” says Abida Aneez, CSR Head, Legrand India. The CSR regulations in India are not always clear, which leads to confusion among companies about their obligations and the types of activities that qualify as CSR. The government should give certain flexibility. For instance, the law does not recognize projects outside India as CSR. Ms. Aneez asks, “I agree we have a lot to accomplish in India but what if some companies have subsidiaries or headquarters in other countries like Africa, Sri Lanka, etc., or they prefer to set up an office there? Any kind of expenditure of CSR activity on foreign soil is not permissible. We are in discussion with Deloitte, our Auditor, and firmly believe

it should also qualify as CSR. Suppose expenditure on training sports personnel for national or international level is a qualified CSR activity. Why does any expenditure to support drama, artists, students, or other international competitions not qualify as CSR? They would also bring laurels to the country. It is the same as supporting any Indian person to acquire any knowledge or empowering skills.”

Another guideline that any project should not go beyond 4 years is ambiguous and creates confusion because a lot of projects are long term. Some companies in India still do not fully understand the concept of CSR and its potential benefits, leading to a lack of commitment to implementing CSR initiatives. Companies may not have the expertise or resources to design, implement, and monitor the CSR initiatives, leading to a lack of impact. There is a lack of oversight and accountability for CSR spending in India, which can lead to companies not spending their CSR funds effectively. At times, CSR initiatives in India may not significantly impact the communities they are intended to benefit, leading to a lack of effectiveness in addressing social issues. Companies may not report their CSR activities accurately and transparently, leading to a lack of trust and accountability.

2.6 Recommendations

With poverty, hunger, lack of health care, and other issues, as well as the human-made hazards of climate change looming large over the citizens, the importance of CSR cannot be downplayed. Thus, companies must adhere to the CSR requirements more seriously and responsibly.

For CSR to be truly effective, spatial imbalance needs immediate addressing. Apart from their area of operation, companies must also focus on key markets of their product or services for socioeconomic development as these new places can serve as new markets in case of saturation. For instance, poorer states such as Bihar, Uttar Pradesh, and Madhya Pradesh have few industrial units but are leading markets for two-wheelers, tractors, and other consumer goods. To avoid duplication of projects in the same region, the government should provide an information channel such that for large projects (setting up hospitals, etc.) companies can coordinate and pool their resources through formal partnerships or consortiums. To reduce geographical imbalances in CSR spending, a coordinating agency is required at the central or state level to monitor and harmonize companies' spending for the betterment of all. The government must come up with some publication, shared folder, or living directory with information mentioning if a project can be managed single-handedly or jointly handled by companies based on fund requirements, the nodal officer, mode of operations type of project,

or the possibility of the pooled project, and other features. For instance, 3 years ago, Finance Planning Secretary Shalini Rajnish of the Karnataka government attempted to call a meeting with the CSR heads to set up a portal to map the CSR funds with the community's aspirational districts and other places to avoid duplication of effort. NITI Aayog's Aspirational Districts Program (ADP), launched in January 2018, is a step toward improving the socioeconomic status of least developed regions of the country using a prepared list of aspirational districts. The Ministry of Corporate Affairs constituted a separate award in 2019 for companies working tirelessly in aspirational districts. The Central Public Sector Enterprises, through an office memorandum dated 10 December 2018, decided to focus on aspirational districts for upcoming CSR projects. NGOs have a better foothold in the backward regions as they work closely with the local communities at the ground level. Thus, it is imperative to strengthen their capacity to scale up CSR initiatives and raise more funds. Alternatively, NGOs can also collaborate with the government and industry through special purpose vehicles or platforms.

Unverified, fraudulent NGOs operating in India are rampant. The cooperation between firms and NGOs is unilateral and restricted. NGOs represent as fundraisers through subsidies, as aid or relief workers, and as a means for corporate philanthropy. Selecting an NGO is a subtask for the specific problem that the corporation wishes to work on. Although the government permits only Section 80G-compliant NGOs to work in the CSR space, Abida Aneez, CSR Head, Legrand India asks, "More than the NGO partner, we have to choose the right capability partner. Here again, the government has given guidelines to only 80G-compliant partners. Why that kind of restriction? Certain organisations are pioneers in certain domains. I need a real partner who has a good history of experience in the training area." The bulk of the CSR discourse appears to be concentrated entirely on CSR as supplementary funding for NGOs, rather than a direction of creating prominent organizations, administering exploration in greenfield regions, or making social investments that might have a bigger effect. Given that accessing foreign funds for growth is a rising problem due to the government's hard line on this and that government funds are meager and rigid, NGOs' interest in CSR funding is understandable.

Even corporations' interest in NGOs is reasonable. Given that limited firms have core competence in venturing into social advancement actions, they have accordingly started to partner with NGOs. At the same time, it is worth noting that CSR funds can also have a social impact other than through partnering with NGOs. Contrary to probabilities, though large NGOs receive a good share in the contributions from corporations,

the donations have not been as large as expected or transformational. They have not led to scale in the networks and consequences of NGOs; nor have they led to policy modifications or the strengthening of this growing sector. One corporate-NGO partnership that has accomplished scale in both range and effect is the Akshara Foundation funded by the Omidyar Foundation, the Akshaya Patra Foundation, and Infosys. Its success has shown that improving employee engagement in CSR projects can have an amplifying effect. Abida Aneez, CSR Head, Legrand India, says, “Many employees are encouraged when they witness these activities or actions and most associate with CSR work. It gives them immense satisfaction, and they feel pride in telling outsiders that this is what my company is doing, this is how I was involved in or became a part of it. I have a lot of group activities where rather than engaging with the NGOs, I prefer to engage my employees. I am fully convinced that it is more successful and impactful.”

CSR investment in research and development (R&D) will become vital, as truly creative eco-technology is crucial to alleviating environmental problems in India’s business development. Eventually, R&D will help India stride ahead on its way to sustainable growth, in line with widespread climate change challenges. A firm can enhance its productivity and profitability by improving fuel and production efficiency. Optimistic and favorable labor force circumstances also strengthen productivity. One of the greatest problems in sectors like building, mining, and vessel recycling is the reported poor status of laborers contrasted with other industries. Environmental R&D can also assist in improving working conditions, since employees who are better reimbursed and compensated are inclined to be more productive and feel valued. Despite the decline in CSR spending by 64% during the pandemic, for instance, Indian corporations still contributed to undertakings to fight COVID-19. In FY2021, India’s largest conglomerate, the Tata Group, spent nearly ₹10 billion (\$134 million) on CSR actions, while Reliance Industries spent ₹9.2 billion (\$124 million) on social concerns. Reliance also donated ₹5.6 billion (\$75 million) to the central government and several state government relief programs such as the nationwide PM CARES drive. These donations have been significant in the fight against the pandemic and have raised the public perception of these corporations on morality and integrity. Although for situations like disaster control donations to the PM National Relief Fund may be appropriate, state governments may at certain time have specific needs during a disaster that require support. At the moment, because the law does not allow it, corporates are restricted from supporting any Chief Minister Relief Fund-related activities.

The government and corporations need to collaborate to encourage the use of CSR funds to support technology-based innovations that are both sustainable and scalable. These innovations could help solve societal problems, for example by producing environment-friendly construction materials that are also cost-effective and recyclable, coming up with greening solutions specific to India such as innovative heat and power management systems, and addressing socio-technical issues like flood management by performing a detailed risk analysis of relevant factors. Investing in CSR in these areas would speed up the implementation of innovative ideas and benefit communities in a novel way.

To conclude, serious rethinking is required to acknowledge the synergy between corporate sector and government efforts when it comes to CSR spending. Initiatives focused on social, environmental, and governance issues could lead to long-term revenue growth opportunities. Therefore, companies should focus on various connected bottom lines including environmental, people, social, and market considerations, rather than solely maximizing profits. By adopting CSR, firms can expect to see a favorable impact on their financial performance. India is a welfare state involving the corporate landscape and encouraging businesses to contribute meaningfully to social and environmental causes, which is a benefit from the larger perspective.

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Appendix 2

Table A2.1: State-wise Corporate Social Responsibility Expenditure, 2014-2021
(\$ million)

State	FY2014/15	FY2017/18	FY2018/19	FY2019/20	FY2020/21
Maharashtra	236.48	439.6	458.39	479.64	148.28
Gujarat	51.26	152.63	156.13	139.5	78.46
Andhra Pradesh	67.75	89.71	95.64	100.84	60.2
Karnataka	65.99	180.23	183.06	208.84	58.56
Uttar Pradesh	24.35	68.62	74.99	81.92	48.77
Tamil Nadu	88.26	106.74	128.59	156.59	37.37
Odisha	41.24	78.45	98.79	105.39	37.08
Rajasthan	49.02	69.07	86.36	103.34	34.36
Haryana	30.65	57.38	53.73	74.13	30.77
Madhya Pradesh	23.2	25.82	36.59	29.98	23.31
Kerala	11.16	35.25	63.51	42.86	22.03
Telangana	16.68	59.81	62.94	63.4	17.58
Chhattisgarh	26.38	27.45	21.5	23.01	13.75
West Bengal	31.87	55.92	55.23	62.95	11.42
Jharkhand	13.01	17.09	16.07	22.01	11.4
Assam	22.04	33.14	30.06	40.67	7.01
Bihar	6	16.71	19.7	20.32	3.71
Himachal Pradesh	1.79	10.86	11.62	11.58	2.96
Punjab	9.09	17.7	24.01	26.95	2.86
Uttarakhand	12.23	13.42	25.48	18.06	2.65
Goa	4.43	8.68	7.07	6.75	1.27
Nagaland	0.18	0.28	0.31	0.72	0.33
Sikkim	0.19	1.16	0.84	1.79	0.32
Meghalaya	0.58	2.05	2.59	2.78	0.31
Manipur	0.4	0.75	1.12	2	0.18
Tripura	0.22	0.29	3.3	1.33	0.13
Mizoram	0.17	0.23	0.02	0.04	0.05
PAN India*	763.75	951.82	1,041.01	1,510.39	515.95
Grand Total	1,646.28	2,652.65	2,881.78	3,482.33	1,189.37

FY = financial year.

* Includes data for Union territories and other undisclosed expenditures.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

Table A2.2: Sector-wise Corporate Social Responsibility Expenditure, 2014-2021
(\$ million)

Development Sector	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Education	423.5	619.76	671.65	894.06	871.05	1,001.95	300.33
Health Care	302.2	392.47	371.47	430.83	515.39	680.66	344.8
Rural Development Projects	173.26	210.2	231.81	267.48	347.3	321.48	81.42
Environmental Sustainability	126.59	121.69	160.49	202	194.77	205.55	60.05
Poverty, Eradicating Hunger, Malnutrition	44.93	191.25	90.43	125.85	170.14	160.75	29.45
Livelihood Enhancement Projects	45.82	60.09	76.85	129.14	129.68	151.05	44.19
Vocational Skills	45.31	52.61	55.68	84.78	113.6	163.94	39.42
Other Central Government Funds	45.32	51.07	62.62	45.42	104.54	131.02	102.54
NEC/ Not Mentioned	218.89	160.56	57.99	2.36	12.53	70.66	0
Sanitation	48.99	96.5	62.87	71.47	72.46	73.18	17.66
Prime Minister's National Relief Fund	37.32	33.3	23.68	31.09	45.84	111.6	69.13
Art and Culture	19.2	18.2	45.56	61.32	32.19	131.31	8.72
Training to Promote Sports	9.42	21.4	26.89	44.28	43.98	42.39	14.54
Safe Drinking Water	17	27.52	22.32	34.27	32.51	35.27	7.14
Swachh Bharat Kosh	18.62	49.72	27.44	42.21	13.66	7.43	15.48
Women Empowerment	11.92	18.76	21.12	38.98	33.76	36.28	8.25
Special Education	6.78	19.22	24.65	21.72	26.59	27.49	14.05
Socio-Economic Inequalities	6.38	11.91	22.07	24.19	24	30.16	6.34
Conservation of Natural Resources	7.29	7.61	17.76	35.4	24.7	22.16	5.03
Animal Welfare	2.83	10.18	11.73	9.86	14.06	14.75	7.86
Gender Equality	9.03	11.28	10.82	3.73	7.41	11.57	1.75
Agroforestry	2.96	8.84	6.48	10.36	9.26	9.49	1.67
Slum Area Development	16.54	2.15	7.68	6.08	7.3	6.01	0.41
Setting Up Homes And Hostels For Women	1.43	4.47	9.24	10.95	8.15	6.72	1.71
Armed Forces, Veterans, War Widows/ Dependants	0.78	1.7	5.65	4.51	12.9	8.73	2.12
Senior Citizens Welfare	1.46	3.34	4.14	6.22	6.43	7.26	2.01
Technology Incubators	0.78	4.02	3.44	2.63	4.59	7.4	2.92
Setting Up Orphanage	0.84	2.58	2.51	6.19	1.84	5.11	0.31
Clean Ganga Fund	0.89	5.01	3.63	5.27	1.16	0.94	0.07
Grand Total	1,646.28	2,217.43	2,138.66	2,652.65	2,881.78	3,482.33	1,189.37

NEC = not elsewhere classifiable.

Source: National Corporate Social Responsibility Portal, Ministry of Corporate Affairs, Government of India.

3

Is Corporate Social Responsibility a Step Toward Sustainability?

3.1 Introduction

The future of the planet is at risk, with significant economic, social, and environmental challenges. Corporations cannot envision a future without striving to protect the environment in which they thrive. This has given a surge to the theory of linking corporate social responsibility (CSR) with sustainable development, and with sustainability and responsibility as two pillars of CSR (Giddens 2018). The United Nations (UN) proposed the 2030 Agenda for Sustainable Development to end poverty, protect the planet, and ensure prosperity for all. The Sustainable Development Goals (SDGs) laid out in the plan of action were adopted by the 193 member states on 25 September 2015, officially commencing on 1 January 2016. The SDGs encompass holistic objectives that address various aspects of global development including environmental, social, and economic factors.

It is worth noting that the SDGs are an extension of the Millenium Development Goals, which were agreed by leaders from 189 member states in September 2000, outlining a commitment to accomplish a group of eight objectives with quantified targets by 2015. These goals encompassed issues such as decreasing child mortality, promoting gender equality, and diminishing severe poverty and hunger. Significant progress was made as the world successfully achieved the first goal of halving extreme poverty by 2015. However, this progress was not evenly distributed. As the term for the Millenium Development Goals was set to end in 2015, discussions shifted toward creating a more sustainable world where environmental sustainability, social inclusiveness, and economic growth are all given equal importance in the post-2015 world.

In June 2012, the UN Conference on Sustainable Development, or Rio+20, took place in Rio de Janeiro, which marked a pivotal moment in

the advancement of a new set of goals. The objective of Rio+20 was to advance the accomplishments made with the Millennium Development Goals and design an extensive global development agenda beyond 2015. The General Assembly Open Working Group in July 2014 proposed 17 objectives known as the SDGs (Figure 3.1). These goals, covering the period from 2015 to 2030, were put to a vote in September 2015 to replace their forerunners. The 17 SDGs aim to achieve 169 targets by 2030 and involve three dimensions of sustainable development: economic growth, preservation of the environment, and social inclusion. They aspire to deal with inequalities, decent jobs, economic development, industrialization, human settlements and municipalities, oceans, ecosystems, power, climate change, sustainable consumption, and production, peace, and justice. Their key difference stems from the level of engagement, as the Millennium Development Goals emphasized the need for wealthier nations to fund and support less developed countries to achieve the goals. In contrast, the SDGs require all countries to prepare their own plans and strategies to achieve the goals while also seeking opportunities to work together to enhance the impact of their national efforts. The Millennium Development Goals had significant shortcomings in terms of monitoring, evaluation, and other mechanisms for ensuring accountability for impact. The SDGs instead underscore the importance of effectively managing impact data by ensuring accuracy and data collection in a timely manner.

Figure 3.1: United Nations Sustainable Development Goals



Source: United Nations.

The SDGs prioritize important sustainable development concerns that require urgent and significant attention. These objectives focus on addressing critical issues such as inequality, sustainability, institutional capacity, effective implementation, and environmental degradation through a comprehensive framework of solutions (Chopra and Virmani 2017). The SDGs have a much wider range of focus compared to previous development goals and incorporate specific economic targets for the first time. This shift in approach reflects a change in the global landscape, as new coalitions of countries emerge that may replace the previous dominant order. Therefore, the SDGs represent a new paradigm well-suited for a world in transition (Iyer 2015). It is worth noting that the SDGs are applicable to all countries, regardless of their level of development, as interdependence and indivisibility are principles that apply to all nations. Achieving the goals cannot be done solely through government efforts. It requires close collaboration between the government, private sector, and civil society. The implementation of the SDGs and of the Indian CSR regulation occurred at roughly the same time, and both have a significant potential to shape a unified, sustainable growth model.

3.2 Interlinkages with the Sustainable Development Goals in India

Pedersen (2018) presents important evidence supporting the claim that CSR evolved with the sustainable development movement, though the SDGs have a much longer history. Schedule VII of the CSR regulation provides clear guidance for CSR initiatives, while the SDGs provide measurable targets that can be achieved through these initiatives. India is committed to achieving the 2030 SDGs but currently ranks 121 out of 163 countries on the SDG Index. This is a cause for concern and calls for immediate action through cooperation between businesses, organizations, and government (Sachs et al. 2022). The SDGs present vast opportunities for involvement from the corporate sector, bringing together private players from various industries to work toward the shared goal of sustainable development by harnessing the power of collaboration between stakeholders for mutually beneficial growth. For instance, when a company sets its CSR focus on providing skill development training to women and young people to improve their livelihoods, it contributes to several SDGs, such as eliminating poverty, ensuring food security, promoting education, promoting gender equality, and supporting employment and economic growth.

Taking a closer glimpse, each of the 12 areas of CSR defined in Schedule VII of Section 135 in the revised Companies Act of 2013 of

India potentially correlate with multiple SDGs. Based on their clear connection, Table 3.1 aligns the 17 SDGs with the Schedule VII activities outlined in the Companies Act 2013.

Table 3.1: Interlinkages between Schedule VII Corporate Social Responsibility Areas and Sustainable Development Goals

Corporate Social Responsibility (Schedule VII of Companies Act)	Sustainable Development Goals (17 SDGs)
1. Eradicating poverty, hunger, and malnutrition and promoting preventive healthcare and sanitation	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 6 Clean water and sanitation
2. Promoting education, including special education and employment enhancing vocational skills and livelihood enhancement projects	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 4 Quality education SDG 5 Gender equality SDG 8 Decent work and economic growth
3. Gender equality, women empowerment, senior citizens, and economically backward groups	SDG 1 No poverty SDG 5 Gender equality SDG 10 Reduced inequality
4. Ensuring environmental sustainability, ecological balance, wildlife and natural resources conversation	SDG 6 Clean water and sanitation SDG 7 Affordable and clean energy SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities SDG 13 Climate action SDG 14 Life below the water SDG 15 Life on land
5. Protection of national heritage art and culture	SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities
6. Benefits to armed forces veterans, war widows	SDG 3 Good health and well being SDG 4 Quality education SDG 8 Decent work and economic growth
7. Promoting rural sports, Paralympic and Olympic sports	SDG 8 Decent work and economic growth SDG 10 Reduced inequality
8. Prime Minister's National Relief Fund and any other funds set up by the Central Government for socio-economic development and welfare of Scheduled Castes/Scheduled Tribes/Other Backward Classes	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 4 Quality education SDG 6 Clean water and sanitation SDG 9 Industry innovation and infrastructure SDG 15 Life on land

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Table 3.1 *continued*

Corporate Social Responsibility (Schedule VII of Companies Act)	Sustainable Development Goals (17 SDGs)
9. Contributing towards technology incubators with academic institutions	SDG 8 Decent work and economic growth SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities SDG 12 Responsible consumption and production SDG 13 Climate action
10. Rural development projects	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 4 Quality education SDG 7 Affordable and clean energy SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities
11. Slum area development	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 4 Quality education SDG 6 Clean water and sanitation SDG 7 Affordable and clean energy SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities
12. Disaster management, including relief, rehabilitation, and reconstruction activities	SDG 1 No poverty SDG 2 Zero hunger SDG 3 Good health and well being SDG 6 Clean water and sanitation SDG 9 Industry innovation and infrastructure SDG 11 Sustainable cities and communities SDG 15 Life on land

SDG = Sustainable Development Goal.

Source: Authors.

The World Business Council for Sustainable Development report (2018b) states that, at the global level, 89% of member companies have acknowledged the SDGs in some form, with 53% integrating sustainability policies with the SDGs at the goal level and providing details on related actions. Only 15% have aligned their business strategies with specific SDG criteria and evaluated their contributions to the main SDGs. However, information about the actual implementation and progress toward the SDGs at the organizational level is limited. Results of a survey by UN Global Compact and Accenture (2016) of more than 1,000 chief

executive officers from 100 different nations and 25 different industries showed that nearly 90% of respondents viewed the SDGs as a chance to reevaluate their company's strategy in generating suitable value. Additionally, 70% of respondents believed that the SDGs established a well-defined framework for sustainability initiatives. However, the study did not specify details regarding the degree of organizational involvement with the SDGs.

3.2.1 Private Sector Integration with the Sustainable Development Goals: The Indian Context

In India, some companies already have the SDGs at the core of their CSR implementation. For instance, the Reliance Foundation annual report (2022) declares support for quality education (SDG 4) by promoting science, technology, engineering, and mathematics or STEM education in India and implements programs in rural development, health, and sports to support the development of children. The national public sector undertaking Oil and Natural Gas Corporation has allocated its CSR funds toward accomplishing the SDGs, emphasizing 12 of the 17 SDGs. The S&P Platts Global Energy Awards acknowledged Oil and Natural Gas Corporation's endeavors in 2019; it was the sole Indian firm to be recognized for its CSR efforts (ONGC 2020). Toyota Kirloskar's ABCD program has significantly impacted the government's goal of ending open defecation in India as part of the SDGs (SMILES 2020). Havells India Limited has dedicated itself to achieving zero hunger (SDG 2) since 2005, well ahead of the global community's adoption of the SDGs in 2015 with the goal of enhancing people's lives by 2030. While looking for ways to address the workforce shortage near its Alwar plant, the company discovered that children from nearby villages were missing school due to malnutrition and weakness. This prompted the company to work alongside the government of Rajasthan to provide midday meals in the state-run schools. The company's CSR department is accountable for the entire midday meal process, including food procurement, preparation, storage, and delivery to the schools, guaranteeing hygiene and quality of the meals (Havells India Limited 2020).

These examples illustrate how collaboration between the resources of corporations and the proficiency of civil society organizations plays a vital role in effectively accomplishing the SDGs. Numerous companies have recognized the significance of the SDGs and already initiated actions. In addition to strategic business benefits, the SDGs also help companies manage increased scrutiny on social, environmental, and labor issues from various stakeholders. Despite the progress corporations are making, they should strive to reach the SDGs using an approach

that helps companies manage their social and environmental impact and develop sustainable businesses that seize opportunities, innovate products and services, and attain the highest standards of sustainability.

3.3 Progress on the SDGs

Responses to a global survey by the World Business Council for Sustainable Development and DNV GL (2018) from 250 companies in 43 countries across four continents showed that 62% of the companies considered SDG 13 (climate action) a priority, making it the top goal. SDGs 13 and 12 (responsible consumption and production) were the highest priority in Europe and Asia and the Pacific, while SDG 8 (decent work and economic growth) was the highest priority in North America and Latin America. Globally, SDG 14 (life below water) was lowest on the priority list, with only 10% of companies considering it important. In Europe, the Middle East, Africa, and Asia and the Pacific, less than half of the companies considered SDG 8 a priority, and SDG 13 was the most prioritized goal in these regions. SDG 17 (partnerships for the goals) was also strongly acknowledged as a priority in Asia and the Pacific and North America.

India's journey toward the SDGs presents both opportunities and challenges. The country has prioritized sustainable development and taken steps to make it a mainstay in its national agenda. NITI Aayog has established procedures and structures to gather information, synchronize with national priorities, keep track of advancement, and ensure accountability over itself and other organizations. A tripartite memorandum of understanding between the Ministry of Statistics and Programme Implementation, NITI Aayog, and the United Nations (through the UN Resident Coordinator's Office in New Delhi) was signed to aid in tracking the progress toward the SDGs in India through statistics, data, and indicators. At the global level, the global indicator framework for the SDGs and the High-Level Political Forum on Sustainable Development were set up to evaluate and monitor progress, with the latter guiding SDG assessments and reports. At the national level, voluntary national reviews are conducted to exchange knowledge, accomplishments, challenges, and insights to hasten the implementation of Agenda 2030. This has facilitated the unification of various stakeholders in India's development and their collaborative efforts. The SDG Investor Map for India (2020) provides direction and enables an environment for forging impactful partnerships among investors, industry, policymakers, and elected representatives, and reinforces the focus on the five pillars that shape the SDGs: people, planet, prosperity, peace, and partnerships.

India has identified five main sectors as investment opportunity areas: education, health care, renewable energy, food and beverages, and financials. These sectors and their subsectors in specific regions are seen to advance the implementation of the SDGs by attracting private sector investment and support. The SDG India Index developed by NITI Aayog in 2018 has become a key monitoring and reporting tool, tracking the progress of the country, as well as the states and union territories compositely, on individual and all SDGs. The latest SDG India Index & Dashboard 2020-21 report (NITI Aayog 2021) shows that the scores for the states range from 52 to 75 (of 100), an improvement from the previous year's range of 50 to 70. Kerala is still the top-performing state with 75, followed by Tamil Nadu and Himachal Pradesh with 74 (Figure 3.2). On the other hand, the union territories' scores range from 62 to 79, with Chandigarh maintaining its top position with 79 and Delhi coming in second with 68. Meanwhile, Bihar, Jharkhand, and Assam were the worst-performing states, with Bihar lagging in seven of the SDGs (Table 3.2). Table 3.3 reveals India's combined score increased from 60 in 2019/20 to 66 in 2020/21, indicating that the nation has moved forward in its SDG effort (Figure 3.3).

Table 3.2: Performance of States and Union Territories on Sustainable Development Goals, 2020/21

States	SDG 7	SDG 6	SDG 12	SDG 16	SDG 11	SDG 3	SDG 10	SDG 1	SDG 15	SDG 8	SDG 4	SDG 2	SDG 13	SDG 5	SDG 9	Overall Score
Kerala	100	89	65	80	75	72	69	83	77	62	80	80	69	63	60	75
Himachal Pradesh	100	85	77	73	79	78	78	80	68	78	74	52	62	62	61	74
Tamil Nadu	100	87	78	71	79	81	74	86	63	71	69	66	61	59	71	74
Andhra Pradesh	100	92	84	77	78	77	74	81	69	67	50	52	63	58	52	72
Goa	100	100	47	63	89	72	75	83	59	76	71	78	44	55	68	72
Karnataka	100	85	89	76	78	78	67	68	67	66	64	53	62	57	64	72
Uttarakhand	100	85	82	86	76	77	77	74	64	63	70	61	60	46	56	72
Sikkim	100	89	76	72	85	62	61	80	73	71	58	69	65	58	52	71
Maharashtra	100	90	82	69	87	83	71	66	52	62	64	44	58	51	66	70
Gujarat	94	93	50	82	87	86	64	66	61	64	52	46	67	49	72	69
Telangana	100	96	73	71	76	67	67	68	81	73	63	50	43	41	59	69
Mizoram	100	85	87	81	61	79	64	80	48	51	60	72	66	54	32	68
Punjab	100	66	71	76	91	77	68	69	48	57	60	73	51	45	69	68
Haryana	100	80	77	71	81	72	68	69	48	59	64	58	51	43	66	67
Tripura	83	82	99	80	67	67	85	82	69	57	42	52	41	39	35	65
Manipur	96	87	89	69	65	68	70	60	60	36	63	64	57	41	35	64
Madhya Pradesh	86	88	78	66	81	62	51	44	84	60	45	43	49	55	37	62
West Bengal	98	81	79	81	45	76	71	59	53	57	54	46	39	41	53	62
Chhattisgarh	78	89	64	71	78	60	72	49	65	64	55	37	38	64	36	61
Nagaland	69	87	91	79	48	61	46	73	63	48	39	64	69	48	30	61
Odisha	80	86	73	59	70	67	66	41	83	48	45	42	70	46	46	61

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Table 3.2 continued

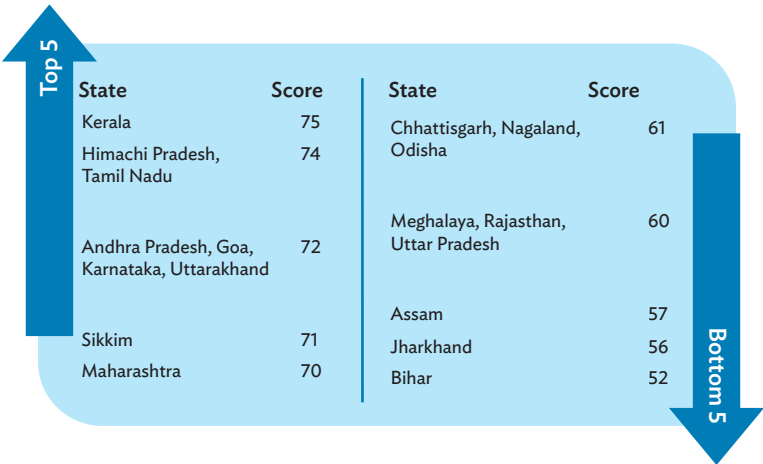
	SDG 7	SDG 6	SDG 12	SDG 16	SDG 11	SDG 3	SDG 10	SDG 1	SDG 15	SDG 8	SDG 4	SDG 2	SDG 13	SDG 5	SDG 9	Overall Score
Meghalaya	50	75	73	72	51	70	88	77	64	63	48	37	62	51	25	60
Rajasthan	100	54	74	73	81	70	45	63	43	57	60	53	49	39	45	60
Uttar Pradesh	100	83	79	79	77	60	41	44	61	53	51	41	39	50	42	60
Assam	98	64	66	62	55	59	65	51	78	50	43	41	53	25	39	57
Jharkhand	77	83	55	70	71	74	65	36	71	54	45	19	25	51	37	56
Bihar	78	91	59	73	67	66	48	32	62	50	29	31	16	48	24	52
Union Territories																
Chandigarh	100	99	78	73	98	74	100	75	85	70	79	97	61	58	45	79
Delhi	100	61	50	62	65	90	72	81	81	65	75	63	55	33	66	68
Lakshadweep	83	100	63	77	56	78	75	61	67	62	62	74	68	58	40	68
Puducherry	98	91	66	86	76	70	62	75	50	68	70	59	23	66	59	68
Andaman and Nicobar Islands	100	87	73	46	85	68	67	71	72	59	57	45	77	68	23	67
Ladakh	100	84	95	74	57	70	65	79	27	59	49	71	66	46	48	66
Dadar and Nagar Haveli and Daman and Diu	71	95	62	75	89	80	66	65	62	57	56	27	18	53	47	62
India	92	83	74	74	79	74	67	60	66	61	57	47	54	48	55	66
Target	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

SDG = Sustainable Development Goal.

Notes: The heatmap displays the performance of each state or union territory on each of the Sustainable Development Goals. The states and union territories are arranged in descending order according to their composite scores.

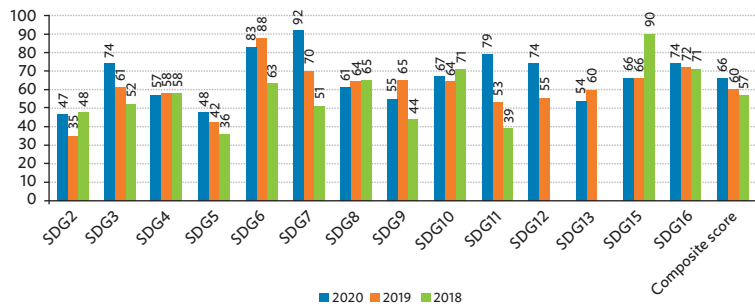
Source: Data accessed from SDG Index 3.0, prepared by NITI Aayog, Government of India.

Figure 3.2: Best- and Worst-Performing States on Sustainable Development Goals, 2020/21



Source: SDG India Index Report 2020-21.

Figure 3.3: Sustainable Development Goals Progress, 2018-2020



SDG = Sustainable Development Goal.

Source: Data extracted from SDG India Index.

Table 3.3: Year-wise Sustainable Development Goals Performance

	2020	2019	2018
SDG 1	60	50	54
SDG 2	47	35	48
SDG 3	74	61	52
SDG 4	57	58	58
SDG 5	48	42	36
SDG 6	83	88	63
SDG 7	92	70	51
SDG 8	61	64	65
SDG 9	55	65	44
SDG 10	67	64	71
SDG 11	79	53	39
SDG 12	74	55	
SDG 13	54	60	
SDG 15	66	66	90
SDG 16	74	72	71
Composite Score	66	60	57

 Aspirant (0–49)
  Performer (50–64)
  Front-Runner (65–99)

SDG = Sustainable Development Goal.

Source: Data extracted from SDG India Index.

SDGs that drive this positive change (score between 65 and 99) are good health and well-being (SDG 3), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), reduced inequalities (SDG 10), sustainable cities and communities (SDG 11), responsible consumption and production (SDG 12), climate action (SDG 13), life on land (SDG 15), and peace, justice, and strong institutions (SDG 16). The goal of life below water (SDG 14) is applicable to nine coastal states, and SDG 17 (partnerships for goals) is analyzed in qualitative terms. However, India scores below 50 in two goals—zero hunger (SDG 2) and gender equality (SDG 5)—calling for immediate action.

Although nine states have moved out of the Aspirant category in SDG 2 and 12 states in SDG 5 compared with 2019/20, the remaining five goals have room for improvement, with scores between 50 and 64. Twenty-five states are considered Front-Runners in SDG 6, while

14 states are Aspirants in both SDGs 5 and 9. India's score has moved from the Performer to the Front-Runner category in SDGs 3, 10, 11, and 12, with the biggest improvement seen in SDG 11 from 53 in 2019/20 to 79 in 2020/21. According to the Sustainable Development Report 2022, India is facing challenges in achieving the SDGs, and its level of preparedness has deteriorated over the years compared to other countries. The report reveals that India's ranking has fallen for the third year in a row (Sachs et al. 2022). India is facing significant challenges in achieving 11 out of the 17 SDGs. While the progress in around 10 of these goals remains comparable to the previous year, SDG 8, which aims to ensure decent work, appears to be more difficult to achieve. The report highlights that despite progress in goals such as ending hunger, promoting good health and well-being, and clean water and sanitation, achieving SDG 8 is posing a bigger challenge (Pandey 2022). According to trends, India is not on track to achieve the global goals, with only 8 years remaining to accomplish them at the time of writing of the report.

Figure 3.4: Goal-wise Top States and Union Territories, 2020/21



Source: SDG Index India dashboard.

3.4 Impact of COVID-19 Pandemic on India's Sustainability Journey

At the global level, India's progress on the SDGs is middling, with a composite score of 60.32, which is below other BRICS member countries (Sachs et al. 2022).¹ India's ranking falls below four neighboring countries in South Asia, including Bhutan with a score of 70.49, Nepal with 66.18, Sri Lanka with 70.03, and Bangladesh with 64.22 (Sachs et al. 2022). Although civil society institutions and government at various levels have made significant efforts to rebound, the pandemic has caused the country to decline in various development aspects, and there is still much more work to be done—and it must be done much faster. In relative terms, India's position declined to 120th among 165 nations in 2021, dropping again from 117th place in 2020 after being 115th in 2019 (Sachs, Kroll, et al. 2021; Sachs, Schmidt-Taub, et al. 2021). This fall in ranking for the past 2 years can be attributed to a fall in social expenditure due to the pandemic, along with India's struggle with poverty (SDG 1), hunger (SDG 2), attaining gender equality (SDG 5), and building industry innovation and infrastructure (SDG 9). According to the International Monetary Fund (2020), the worldwide decrease in gross domestic product for 2020 was estimated to be 4.6% in absolute terms. This represents a decline of about 7.5% compared to normal annual growth, and a loss of about \$6.7 trillion because of the reduction in economic activities. Another study by Hughes et al. (2021) finds that “44 million people are expected to be pushed into extreme poverty by 2030 due to COVID-19.” In other words, the momentum achieved in recent years in reducing infant and maternal mortality, halving malaria deaths, and reversing HIV/AIDS trends could be threatened. The pandemic has exposed weak links in global food supply chains. The 1.6 billion-strong informal workforce faces the danger of loss of livelihoods. UNESCO estimates highlight that about 1.25 billion students were affected by lockdowns (Hughes et al. 2021).

India faced similar challenges in 2020 owing to COVID-19. The lockdown impacted economic activity, which resulted in a contraction of the economy in subsequent quarters. The pandemic also put pressure on health, education, and livelihood systems. Sectors such as travel, tourism, and hospitality faced unprecedented job losses. The impact of these events has slowed the progress toward achieving the SDGs both at the national and regional levels. To address this, India developed a

¹ The BRICS group consists of Brazil, the Russian Federation, India, the People's Republic of China, South Africa, Egypt, Ethiopia, Iran, and the United Arab Emirates.

comprehensive plan for managing the pandemic, including measures and programs targeting specific groups and systemic measures. These were designed to contain the effects of the pandemic as efficiently and early as possible and to trigger a sustainable recovery. These actions were also designed to ensure that the country's recent progress in SDG-related areas is not lost and the pace of future achievements is accelerated. The Government of India constituted 11 empowered groups of renowned strategists and experts to monitor and coordinate work in critical areas. Under the Aatma Nirbhar Bharat Abhiyan 1.0, 2.0, and 3.0 initiatives, the government tried to address food security concerns and provide additional health-care funds to states, announced sector-specific incentives, and extended the tax deadline. The Union Government and the Reserve Bank of India have jointly provided a fiscal stimulus of \$400 billion since the outbreak of the pandemic. Given the increased need for government spending, the government relaxed spending limits for the state governments, and 23 states have taken advantage of these relaxed limits, providing benefits to the most susceptible strata of the population (NITI Aayog 2021).

India has taken measures to address the impact of the pandemic on people's livelihoods, particularly for migrant workers and frontline health workers who were most affected. The government allocated ₹1.7 trillion (\$22.9 billion)² to provide emergency financial assistance, free liquefied petroleum gas or LPG cylinders, additional pensions for senior citizens, and food security measures. An additional scheme of ₹500 billion (\$6.73 billion) was introduced to support migrant workers. The government also introduced a medical insurance scheme for frontline workers managing the pandemic, including sanitation staff, doctors, Accredited Social Health Activist or Asha workers, paramedics, and nurses. Health-care workers were provided with accident insurance cover of ₹5 million (\$67,000) (NITI Aayog 2021). India introduced several sector-specific initiatives to mitigate the impact of the COVID-19 pandemic and promote better recovery. These initiatives included various interventions aimed at supporting women and children, such as providing direct delivery of food to around 85 million beneficiaries of the Integrated Child Development Services scheme during the lockdown. Additionally, about half a million new beneficiaries were enrolled and ₹3 billion (\$40.4 million) disbursed under the maternity benefits initiatives. Special attention was given to health and education, with plans to establish integrated public health laboratories in all districts and ₹150 billion (\$2.02 billion) earmarked for improved health infrastructure (NITI Aayog 2021).

² See Appendix 1 for detailed conversion rates used throughout the book (\$1 = ₹74.225).

COVID-19 has presented an unprecedented crisis in terms of its nature and scale. A report by the Organisation for Economic Co-operation and Development (OECD 2020) reveals that developing countries fell short of \$1.7 trillion in financing needed to keep them on track for achieving the SDGs due to the challenges posed by the pandemic on governments and investors. The pandemic has not only had disastrous effects on the global economy but also presented various obstacles to initiatives related to health, education, climate action, and poverty alleviation, among others. However, partnerships that have been built over the years proved to be a significant source of strength in this challenging time. The pandemic called for collaboration among various stakeholders, including NGOs, private sector entities, and international development organizations. Together, they worked to channel efforts and identify the best course of action. This crisis has brought attention to making sustainable development the primary focus of all development strategies. It has emphasized the need for institutions and mechanisms that can help the country better absorb external shocks. However, the progress toward achieving the SDGs by 2030 has slowed down.

3.5 Challenges in Achieving the SDGs in India

In view of the structural and operational difficulties involved, the challenges are considerable. Socioeconomic and institutional limitations pose the biggest hindrance. One of India's major challenges is defining indicators to monitor the progress of the SDGs. Creating meaningful metrics has proved difficult due to a lack of preparedness in defining development indicators at state, district, and block levels. Additionally, data reporting is inconsistent and capacity for data preparation at local levels is lacking. The Union Government's monitoring and tracking framework for development benefits also lacks a focus on the inclusion of marginalized communities, despite social inclusion being a key pillar of the SDGs. Marginalized communities, such as Scheduled Castes, Scheduled Tribes, Other Backward Classes, and minorities, have limited awareness and involvement in planning and implementing the SDGs locally. For example, the definition of "safe" drinking water is unclear, as the availability of hand pumps and tube wells has complicated the matter. Although 86% of Indians reportedly have access to safe drinking water, the country still has high rates of waterborne infections and diarrhea-related deaths (NITI Aayog 2021).

Even with its concerted efforts to eliminate poverty, India still has the highest number of individuals living below the international poverty threshold. In 2013, the World Bank (2016) estimated that 21.2% of the population survived on less than \$1.90 per day. The *Millennium Development Goals Report 2014* (United Nations 2014) noted that, even

with India's rapid economic growth, a third of the world's 1.2 billion extremely impoverished people were concentrated in India alone in 2010. The financing of the SDGs presents a challenge because, despite current levels of public and private investment in SDG-related sectors in impoverished nations, there is still an annual financing gap of \$2.5 trillion between 2015 and 2030 (UNCTAD 2014). The potential to bridge this divide depends on the growth in private sector investment, specifically in the areas of infrastructure, food security, and climate change mitigation. A recent analysis by Standard Chartered Bank (2020) indicates that in India, meeting the SDGs by 2030 would require approximately \$2.64 trillion in expenditure. Efforts to address challenges related to domestic resource mobilization have been inadequate in India. Moreover, the share of Union Budget expenditure as a percentage of gross domestic product has decreased from 13.3% in 2014/15 to 13.2% in 2019/20 (Government of India 2020). The Union Government's constrained ability to generate financial resources could lead to a decline in public spending on social and economic services at the state and local levels as both the units mostly depend on the transfer from the government. Furthermore, the union and state governments' plans for development and budget allocation have not been properly synchronized with the SDGs (Sachs et al. 2022).

The bureaucracy and weak institutional capacity at the local level also play a role in delaying the fund flow, leading to poor planning and implementation of SDG programs. The institutional capacity of line departments, Panchayati Raj institutions, and municipal corporations have systemic weaknesses, resulting in poor funds absorption. The lack of staff and training exacerbates the issue of inadequate planning, implementation of schemes, and monitoring of the SDGs (Kapur 2015). Another major obstacle is ownership. NITI Aayog plays a crucial role in monitoring the progress of the initiative, but concerns have been raised about their ability to handle such a massive responsibility (Sachs et al. 2022). Additionally, since the 14th Finance Commission's devolution of taxes (Press Information Bureau 2015), states are expected to play a significant role, which means ownership will need to be established not only at the national level but also at the state and local levels. The government has also conceded that measuring progress is another roadblock. The nonavailability of data, especially at the subnational levels, as well as periodicity issues make it difficult to accurately track progress (Kapur 2015). Corporations have become key drivers of the SDGs. By leveraging their expertise and innovation to tackle sustainable development challenges, they can play a vital role as facilitators to advance the SDGs.

It is of note that the SDGs are voluntary commitments made by countries. While every country has committed to work toward achieving them, there are no specific consequences if they fail to do so. Some countries, including the United States and the Russian Federation, have been perceived as doing less compared to others in terms of their progress toward the SDGs (Kroll 2018). Essentially, without additional incentives or enforcement mechanisms, the motivation for countries to actively pursue the SDGs primarily stems from their own desire to contribute to sustainable development and improve societal well-being (Kroll 2018). The main challenge in linking the private sector to the SDGs is figuring out how to track and report the impact of a company's actions on the SDGs. A detailed discussion in Chapter 4 strives to overcome this obstacle and provide a roadmap for India's journey to fulfilling Agenda 2030.

3.6 Conclusion

The SDGs are an agreement among all countries' governments that collaboration between the private sector, national, subnational, and local governments, international organizations, civil society, and the academic community is crucial to achieving the ambitious goals outlined in the agenda. In the year that the SDGs were adopted, Ban Ki-moon, the UN Secretary-General at the time, called upon businesses and companies worldwide to evaluate their environmental impact, establish challenging targets, and communicate their outcomes transparently (Wynn and Jones 2019). It is commonly accepted that the reasons companies strive to achieve the SDGs can differ by company. However, the SDGs have offered a framework for new business approaches. Some businesses are motivated by their desire to make a positive impact on the overall agenda. For others, working toward the achievement of the SDGs gives them social legitimacy and permission to operate, as well as an opportunity to build relationships with all stakeholders through the shared language of the SDGs (Schönherr and Martinuzzi 2019).

India has witnessed the influence of this global awareness on both corporate and government actions. The government has institutionalized CSR through mandated policies that brought in financial resources from businesses utilizing the extensive network of civil society organizations to gestate and implement various projects. Over the past few years, India has demonstrated a firm commitment to achieving global goals, particularly since the adoption of the SDGs in September 2015. India's dedication can be seen in various initiatives such as providing electricity to rural households, promoting education for girls and ensuring their

retention, providing adequate sanitation and housing facilities, and equipping the youth with the necessary skills to compete in the global job market, among other efforts. Additionally, India has made significant strides in using data to make informed policy decisions and to monitor the progress of various schemes toward meeting the set targets. Yet, the country's substantial potential remains unexploited. Despite the decline in global ranking, there is a pressing need for collaborative efforts between the corporate sector, civil society organizations, and the government to take immediate action. The pandemic slowed the world's progress toward achieving the SDGs on time and comprehensively (United Nations 2021). With 2020–2030 declared the Decade of Action, a proactive, multidimensional approach is essential to achieve the SDGs (Elsamadony et al. 2022). The thematic areas of development covered by the SDGs and CSR overlap considerably. Businesses are now recognized as key players in driving progress toward the SDGs. They can utilize their creativity and innovation to address sustainable development challenges and play a significant role in achieving the SDGs.

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4

Strategic Corporate Social Responsibility and the Sustainable Development Goals

4.1 Introduction

Corporations have become key drivers of the Sustainable Development Goals (SDGs), leveraging their expertise and innovation to tackle sustainable development challenges (KPMG and UNGC India 2017) and play a vital role as facilitators to advance the goals. Incorporating the SDGs into corporate policy not only supports these goals, but also means companies achieve the three pillars of their own sustainability: people, planet, and profit. It is crucial for companies to reevaluate their policies and align them with long-term sustainable development. Aligning corporate social responsibility (CSR) initiatives with the SDGs can assist in identifying areas where businesses can effectively contribute to sustainable development. By matching their CSR actions with specific SDGs and targets, companies can ensure that their efforts are in line with the broader global agenda, ultimately helping to achieve development goals. Such integration can also reveal opportunities for companies to enhance their sustainability practices, such as by reducing carbon emissions or improving social and environmental impacts throughout their value chain. Furthermore, by mapping the SDGs with CSR, companies can monitor and measure their advancement toward sustainable development objectives and enhance transparency and accountability. The integration of SDG mapping with CSR presents a chance for businesses to bolster their sustainability practices while also contributing to the accomplishment of global goals. It establishes a structure for companies to align their CSR endeavors with particular SDGs, evaluate their advancement, and ultimately make a positive impact on the long-term sustainability of the planet.

Strategic CSR is a distinct concept from CSR, sustainability, and business ethics, redefining our perception of this multifaceted topic

(Mowery 2023). CSR is often linked to corporate philanthropy, whereas sustainability prioritizes resource management and environmental preservation, and business ethics is about creating ethical guidelines for right and wrong conduct. In contrast, strategic CSR is a managerial approach that is seamlessly incorporated into the regular operations of a company, making CSR and related stakeholders the core of all operations. With the increasing globalization and the dwindling margin of error, the nature of business is evolving. Organizations that fail to deliver are quickly replaced, as illustrated by the average life span of a Fortune 500 firm, which has declined from 75 years in the 1930s to only 18 years in 2011 (*The Economist* 2016).

This chapter aims to build upon compelling arguments for firms to integrate CSR into their strategic planning and day-to-day operations. To achieve this, companies must form collaborative relationships with their primary stakeholders. In essence, a stakeholder perspective is a vital component of a comprehensive, strategic approach to CSR. While companies will differ on which stakeholders to prioritize, they should acknowledge stakeholder interest from time to time and account for them when making decisions. By considering the perspective of shareholders before deciding, a firm can increase its ability to create value for those groups. However, adopting a stakeholder perspective is easier said than done because their interests and demands can change and sometimes conflict. Consequently, firms may not be able to satisfy all stakeholders all the time. Nonetheless, firms can better their decision-making and protect themselves from potential threat by adapting their strategic planning process with the goal of engaging with stakeholders whenever possible and reducing stakeholders' disillusionment. Effective firms share a commitment to this process and possess an organizational culture and a set of values that are more inclusive than exclusive. They view profit as a result of a process that generates value for a broad range of stakeholders. Such a perspective is referred to as progressive management. In brief, such businesses are moral and ethical.

Strategic CSR is not just about superficial activities that do not directly affect the firm, or completely change the economic system. It is actually about the day-to-day decisions the company makes. Every aspect of business involves economic, social, moral, and ethical considerations, and it is the manager's job to balance these factors while prioritizing the interests of all stakeholders. Essentially, strategic CSR is a more enlightened approach to management that still emphasizes creating value for the company, but it does so by considering a wider range of stakeholders and a longer-term perspective. If economics is concerned with allocating scarce resources, strategic CSR is concerned with allocating these resources in a way that results in the best possible

outcomes for society and a sustainable future for the planet. To effectively implement strategic CSR, companies need to concentrate on creating value in areas related to their core operations over a medium- to long-term time frame.

4.2 Benefits of Mapping the SDGs with CSR

It is necessary for businesses to strategize how to use CSR as a tool for collective progress toward achieving the SDGs. To prioritize the SDGs, businesses should concentrate on two significant aspects: innovating their CSR initiatives and comprehending the effects they generate. A well-designed and actively implemented CSR program is essential for creating a positive social impact. Domestic and international enterprises can aid in attaining these objectives by employing not just their financial resources but also their technology, expertise, research, knowledge, and innovation. Aligning the SDGs with CSR can provide numerous advantages to both businesses and the wider community (Fallahshayan et al. 2022). Businesses can ensure that their actions are in line with the broader global aim for sustainable development by matching their CSR initiatives with the corresponding SDGs and targets (Fallahshayan et al. 2022). This approach enables them to make a valuable contribution toward achieving specific development objectives and keep track of their advancement toward those goals.

Incorporating the SDGs into CSR can aid businesses in various ways:

1. **Identification of gap areas:** Pinpointing areas where they can enhance their sustainability efforts, such as minimizing carbon footprint or enhancing social and environmental effects throughout their value chain. This can result in more accountable and sustainable business practices that have positive impacts on the environment, society, and the economy.
2. **Better connect:** Connecting with various stakeholders, such as customers, employees, investors, and communities, to address sustainability challenges. This can foster trust, bolster reputation, and enhance overall business performance.
3. **Accountability:** Monitoring and assessing their advancement toward sustainable development objectives, which improves transparency and accountability. It is a way for businesses to display their dedication to sustainability and establish trust with stakeholders.
4. **Better management of inherent risks:** Recognizing and handling sustainability-related risks, such as social inequalities or climate change, which may affect business operations

and reputation. This can make businesses more resilient and versatile in dealing with global challenges.

Several studies have shown that CSR has a positive correlation with addressing sustainable development. A study by Saz-Gil et al. (2020) found that corporations have a social responsibility to address health, emotional, and economic demands, leading to successfully addressing the SDGs. This is also supported by Fallahshayan et al. (2022) who found that socially responsible for-profit and non-profit organizations contribute to public well-being and economic stability, which are key to sustainable development. Studies by Johan (2021) and Liu and Jung (2021) found that corporate environmental responsibility has a positive connection with addressing the SDGs. Although the relationship between strategic CSR and sustainable development is widely discussed, limited proof exists to support the cause-and-effect relationship between the two. Some authors (e.g., Ismail2020) argue that social responsibility is a crucial first step in achieving sustainable development. In this regard, Mishra (2021) underlined “many actions, as well as focus areas of CSR and SDG, are overlapping. Activities under CSR contribute towards a wider framework and protocols for the corporate to divert a portion of profit toward social and environmental reasons for a sustainable future, on the other hand, SDGs provide a specific region of action with tangible targets to make this world a better place to live in.”

Schedule VII of the Indian Companies Act, 2013 also presents opportunities for collaboration like the SDGs. Industry reports indicate that since 2014 businesses have increased their funding toward significant areas such as rural development, health care, and education by following the guidance provided in Schedule VII (KPMG and UNGC India 2017). However, while CSR activities under Schedule VII offer a broad framework, the SDGs provide a more comprehensive strategy with a wider range of objectives, including crucial areas such as eradicating poverty, addressing inequalities, and promoting agency cooperation for sustainable and harmonized development. Therefore, businesses can make use of both Schedule VII and the SDGs to contribute toward sustainable development and societal well-being (KPMG and UNGC India 2017).

CSR has become increasingly popular recently as more companies are pledging to adopt sustainable business practices and initiatives. Reports show that the funds allocated to CSR have gradually risen over the years, indicating a growing interest in CSR projects. Mandatory CSR spending went up by 14% in 2016/17 compared to the first year of its implementation in 2014/15 (Lahiri 2018). These findings suggest that businesses are increasingly aware of their responsibility toward

sustainable development and are taking proactive measures to create a positive impact. The CSR expenditure patterns of the 100 largest companies listed on the National Stock Exchange of India indicate a notable rise in the focus of their CSR programs toward national priorities (Lahiri 2018).

On the SDG front, India has made significant progress by partnering with various stakeholders for the effective implementation of the goals. However, there is still ample opportunity for collaboration between private CSR spending and government SDG spending, as various programs implemented for the SDGs overlap thematically. NITI Aayog's mapping of development programs illustrates the potential for collaboration. While progress has been made since 2016, stakeholders still have limitless potential to work together to raise awareness and develop capacity. India has numerous government institutions that specialize in capacity building at various levels. It is crucial to focus on specific skill and competency gaps related to different SDGs and enhance the stakeholders' capacities in implementing interventions. Box 4.1 illustrates the instances of Indian corporates striving toward the SDGs through strategic planning and execution of long-term societal goals.

Box 4.1: Interview Excerpts

Mahindra Group aligned its sustainability strategy with the Sustainable Development Goals (SDGs) by identifying six key goals, including SDG 3, SDG 4, SDG 7, SDG 9, SDG 11, and SDG 13, and mapping its corporate social responsibility (CSR) initiatives accordingly. This mapping exercise allowed the company to identify areas where it could make a meaningful impact on the SDGs, such as launching initiatives to improve access to quality education for underprivileged girls (Nanhi Kali project) and clean energy in rural pockets of the country through solar power projects. The mapping exercise enabled Mahindra Group to communicate its sustainability efforts more effectively to stakeholders and identify new business opportunities aligned with the SDGs. Many such instances drive home the significance of integration of CSR and SDGs at the planning and execution level.

Avilash Dwivedi for Mahindra & Mahindra Limited, September 2022

Our Society: 2030 Ambition is aligned with the Sustainable Development Goals. All three of our pillars are aligned with the SDGs:

- Promoting positive drinking aligned with SDG 3 and SDG 12;
- Championing inclusion and diversity aligned with SDG 5, SDG 8, and SDG 10;
- Pioneering grain to glass sustainability aligns with SDG 6, SDG 7, SDG 8, SDG 12, SDG 13, SDG 15, SDG 16, SDG 17.

Navdeep Singh Mehram for Diageo India, September 2022

4.3 Major Challenges in Implementation of the SDGs and CSR in India

Since September 2015, India has made progress in adopting, implementing, and monitoring Agenda 2030 but it still has a lot to do (KPMG and UNGC India 2017). Due to its vast size and diversity, any development program in India faces unique challenges—and the SDGs are no exception. The country has identified the cardinal roadblocks (socioeconomic and institutional constraints, see section 3.5) that hinder full implementation of the SDGs and has planned a strategy to address them and meet the objectives on time. The development of a statistical system and financing for the SDGs are the primary focus areas (NITI Aayog 2020).

Regular evaluation of progress in all areas of the SDG framework is critical as it is time-bound. To achieve this, both national and subnational statistical systems require significant enhancements. India has taken an admirable and essential first step toward SDG monitoring by implementing the National Indicator Framework, the SDG India Index, and the Dashboard. A subsequent step to upgrade the national framework involves adding indicators for the SDG targets that are currently not represented. Of the 169 SDG targets, 36 are not included in the framework because historical data on new issues like responsible consumption and production, and partnerships are lacking. Some indicators may not have a suitable measurement technique. To ensure that the National Indicator Framework is a comprehensive tool for monitoring all SDGs, missing indicators will be identified or developed in consultation with relevant stakeholders and incorporated (NITI Aayog 2020). To ensure more precise SDG monitoring, which will lead to specific policy recommendations, it is vital to collect and display data that are disaggregated by gender, social categories, income groups, and other relevant factors. Data availability in a time-bound manner is again a constraint. In the past, SDG reporting relied on data from sources such as the National Family Health Survey, which was conducted every 8–10 years (Subramanian et al. 2023). However, due to the SDGs' timelines and the need for regular assessment of global progress, surveys that provide data for SDG monitoring systems must occur at more frequent intervals. Given the vast amount of data from multiple sources on various topics, focusing on data quality is essential. To ensure data accuracy, India will also use independent third-party surveys, similar to the data validation techniques in some of its flagship programs. Another approach to improving data quality involves utilizing modern data collection methods and technology including mobile phones, tablets, and geospatial data (NITI Aayog 2020).

Meeting the financial needs of the SDGs is difficult because, even though impoverished countries receive significant public and private investment in sectors related to the SDGs, there remains a shortfall of \$2.5 trillion per year from 2015 to 2030 (UNCTAD 2014). Adequate financial resources are crucial for achieving the ambitious goals and targets of the SDG framework. To determine the costs associated with the key SDGs for India, initial estimates from a joint study report of the International Monetary Fund and NITI Aayog found India's additional expenditure requirement toward the SDGs is 6.2% of its gross domestic product until 2030 (NITI Aayog 2020). Identifying the resources and strategies for this increased funding is essential. Equally important is ensuring that budgetary allocations align with SDG priorities. India has not adequately attempted to tackle issues regarding the mobilization of domestic resources.

Additionally, the proportion of Union Budget expenditure in relation to the country's gross domestic product has decreased from 13.3% in 2014/15 to 13.2% in 2019/20 (Government of India 2020). A report on a survey conducted in February 2022 reveals that India's latest central or federal budget documents do not reference the SDGs (Pandey 2022). India's tax-to-gross domestic product ratio falls below the BRICS average,¹ indicating that there is significant potential for increasing domestic resources by expanding the tax base and enhancing the tax administration system. To improve domestic resource mobilization, the Indian government has committed to a comprehensive tax reform program involving direct tax reforms, including goods and services tax or GST, and simultaneously keeping public debt at sustainable levels in the medium term. In addition, the government has implemented an innovative tax known as the Swachh Bharat Cess (Clean India Cess)² to generate funding for the Clean India Mission directed toward SDG 6.

As mentioned in section 3.5, since the 14th Finance Commission's devolution of taxes (Press Information Bureau 2015), the states are also expected to play a significant role. The commission increased the tax devolution to states from 32% to 42% of the divisible pool, providing a solid financial base for achieving the SDGs. The commission also allocated special purpose grants for initiatives such as universal primary education, health, employment, affordable housing, and urbanization, further strengthening the collaborative foundation and trust for accomplishing the SDGs (Press Information Bureau 2015).

¹ Refer to footnote 7 in Chapter 3.

² Cess means a tax or levy.

The main challenge in linking the private sector to the SDGs is figuring out how to track and report on the impact of a company's actions on the SDGs. Heras-Saizarbitoria, Urbieto, and Boiral (2021) indicated that most organizations (1,370 companies from 97 countries) under study only engaged superficially with the SDGs, implying a form of "SDG-washing." Therefore, it is crucial to modify the global key performance indicators and indicators for each SDG for the private sector. Companies could then find ways to measure their impact and guide their business operations. The key to avoiding SDG-washing lies in the specifics of the 169 targets and 232 indicators, which are where the real change takes place. Merely aligning with the SDGs will not result in a proper evaluation of the outcomes a company aims to achieve. As a first step, companies should thus thoroughly assess their sustainability policy and align it with specific, measurable targets and indicators. Gupta (2019) employed pathway analysis to evaluate how the top 50 Indian businesses listed in the BSE100 index, based on market capitalization as determined by the Bombay Stock Exchange, reported their CSR activities in relation to the 17 SDGs. The study also analyzed how the top 50 global businesses listed on the 16th annual Forbes Global 2000 reported their sustainability; environmental, social, and governance (ESG); and/or CSR activities in relation to the SDGs. The research findings indicate leading global companies use different reporting methods depending on the data set used. While Indian companies prioritize mandatory CSR goals related to the environment and local communities, companies in other parts of the globe tend to focus on achieving sustainability through product innovation, process improvements, and employee welfare (Table 4.1). The number of goals achieved by Indian companies through CSR activities is different from those achieved by global companies through sustainability efforts. The research also suggests that mandating companies to pursue CSR activities does not necessarily lead to a greater focus on achieving the SDGs. This is demonstrated by the fact that global companies, which are not bound by law to pursue CSR, have performed better in making progress toward the SDGs (Gupta 2019).

**Table 4.1: Reporting Analysis of 50 Indian
and 50 Global Corporations**

SDG No.	Content of Company Reports	
	India	World
SDG 1 No Poverty	Indirect measures of poverty reduction such as livelihood measures and donations to anti-poverty funds	Targeted poverty relief, granting unsecured loans to the poor, and providing training to poverty alleviation officials
SDG 2 Zero Hunger	Providing food to the needy and free meals to schoolchildren	Food safety projects, food donations, and modernizing agriculture
SDG 3 Good Health and Well Being	Providing medical care to communities, organizing medical camps, immunization drives, ambulance donations, and reducing malnutrition	Focus on wellness to reduce health-care costs, grants to Red Cross and hospitals, and reducing premature mortality
SDG 4 Quality Education	Direct schooling, scholarships, funds for tech-incubation, and skills training	Career-focused education, establishing primary schools, and college scholarships
SDG 5 Gender Equality	Women's skill development programs, women-centric health initiatives, and creating gender-sensitive workplaces along with rehabilitation of women inflicted with human trafficking	Promoting gender equality in leadership, providing parental leave, encouraging women entrepreneurs, and addressing pay equity
SDG 6 Clean Water and Sanitation	Providing clean drinking water to communities, undertaking water conservation initiatives, and promoting the importance of sanitation with a focus on building toilets and solid waste disposal	Implementing water-saving technologies, reducing water usage in manufacturing processes, and creating access to clean water in underserved regions
SDG 7 Affordable and Clean Energy	Renewable energy initiatives, creating access to electricity in rural areas, and promoting energy conservation measures	Reducing carbon footprint, implementing energy-efficient practices, and investing in renewable energy projects
SDG 8 Decent Work and Economic Growth	Skill development initiatives, job creation programs, and promoting ethical business practices	Promoting economic growth through innovation and entrepreneurship, creating decent work conditions, and increasing access to financial services
SDG 9 Industry, Innovation and Infrastructure	Investing in research and development, adopting new technologies, and creating infrastructure for growth	Promoting innovation, investing in infrastructure development, and supporting industry growth
SDG 10 Reduced Inequalities	Providing equal employment opportunities, creating affirmative action policies, and promoting inclusive business practices	Promoting social inclusion, addressing income inequality, and creating access to essential services for marginalized communities
SDG 11 Sustainable Cities and Communities	Promoting sustainable urbanization, investing in green infrastructure, and creating smart cities	Investing in public transportation, creating sustainable housing, and promoting urban regeneration

continued on next page

Table 4.1 *continued*

SDG No.	Content of Company Reports	
	India	World
SDG 12 Responsible Consumption and Production	Implementing sustainable business practices, promoting eco-friendly products, and creating awareness on responsible consumption	Adopting circular economy practices, reducing waste generation, and promoting sustainable production methods
SDG 13 Climate Action	Reducing carbon footprint, investing in renewable energy, and creating climate resilience initiatives	Investing in green technologies, promoting low-carbon transportation, and creating partnerships to address climate change
SDG 14 Life Below Water	Creating marine conservation programs, promoting sustainable fishing practices, and creating awareness on marine biodiversity	Investing in marine conservation research, reducing plastic pollution in oceans, and creating partnerships to promote marine conservation
SDG 15 Life on Land	Creating afforestation programs, promoting biodiversity conservation, and implementing sustainable agriculture practices	Promoting sustainable land use practices, investing in ecosystem restoration, and addressing deforestation
SDG 16 Peace, Justice and Strong Institutions	Promoting corporate social responsibility, promoting ethical business practices, and creating awareness on social justice issues like domestic violence, child marriage, etc.	Promoting human rights, investing in access to justice, and creating accountable institutions with enhanced employee rights, laws against corruption, and fraud
SDG 17 Partnerships for the Goals	Establishing public–private partnerships, collaborating with nongovernment organizations, and creating community engagement programs	Creating cross-sectoral partnerships, promoting international cooperation, and investing in global development initiatives through capacity building, technology transfer, and academic research

SDG = Sustainable Development Goal.

Source: Authors' own analysis of the work by Gupta (2019).

4.4 New Reporting Mechanism: Takeaway for the World

The new reporting mechanism in India can serve as a reckoner for other countries to align and report their SDG footprint. The National Guidelines on Responsible Business Conduct known as the NGRBC (revised and updated version of the National Voluntary Guidelines on the Social, Environmental, and Economic Responsibilities of Business),³ rolled out in March 2019 by the Ministry of Corporate Affairs, aligns with the SDGs and requires publicly traded companies to report their adherence

³ Refer to the evolution of CSR legislation in Figure 2.1.

to the nine principles (Figure 4.1) through the Business Responsibility and Sustainability Report (BRSR) (Figure 4.2). The reporting for each principle of National Guidelines on Responsible Business Conduct is divided into essential and leadership indicators, with compulsory regular reporting of essential indicators and optional reporting of leadership indicators. Listed companies are also encouraged to disclose the leadership indicators, all aligned with the 17 SDGs (Figure 4.3).

Figure 4.1: Nine Principles of the National Guidelines on Responsible Business Conduct

- 1 Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable.
- 2 Businesses should provide goods and services in a manner that is sustainable and safe.
- 3 Businesses should respect and promote the well-being of all employees, including those in their value chains.
- 4 Businesses should respect the interests of and be responsive to all their stakeholders.
- 5 Businesses should respect and promote human rights.
- 6 Businesses should respect and make efforts to protect and restore the environment.
- 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- 8 Businesses should promote inclusive growth and equitable development.
- 9 Businesses should engage with and provide value to their consumers in a responsible manner.

Source: Ministry of Corporate Affairs, Government of India.

The Securities and Exchange Board of India developed the BRSR as a reporting structure to encourage listed companies to reveal their responsible business and sustainability practices (SEBI 2021). Introduced in 2012 (formerly known as Business Responsibility Report-BRR), and now, it is now a mandatory reporting criterion for listed companies in India. The BRSR system encompasses various

reporting components, such as environmental, social, and governance (ESG) disclosures, to provide investors and stakeholders with details about a company's sustainability achievements and accountable business practices (Figure 4.2). The BRSR report aims to provide standardized and quantitative disclosures on ESG parameters, enabling comparisons across businesses, industries, and time periods. Such comprehensive disclosures make any company more appealing to the public and help investors make more informed financial decisions. The BRSR encourages businesses to engage more deeply with their stakeholders by considering factors beyond just profits, such as social and environmental impacts. Listed companies can cross-reference their existing sustainability reports, which are prepared and disclosed in compliance with globally recognized reporting frameworks such as the Global Reporting Initiative, Sustainability Accounting Standards Board, Task Force on Climate-Related Financial Disclosures, and integrated reporting (SEBI 2021).

The BRSR applies to the top 1,000 listed entities on a voluntary basis for FY2021/22 and on a mandatory basis from 2022/23, whereas the predecessor, the Business Responsibility Reporting, legally applied to the top 1,000 listed companies (by market capitalization).

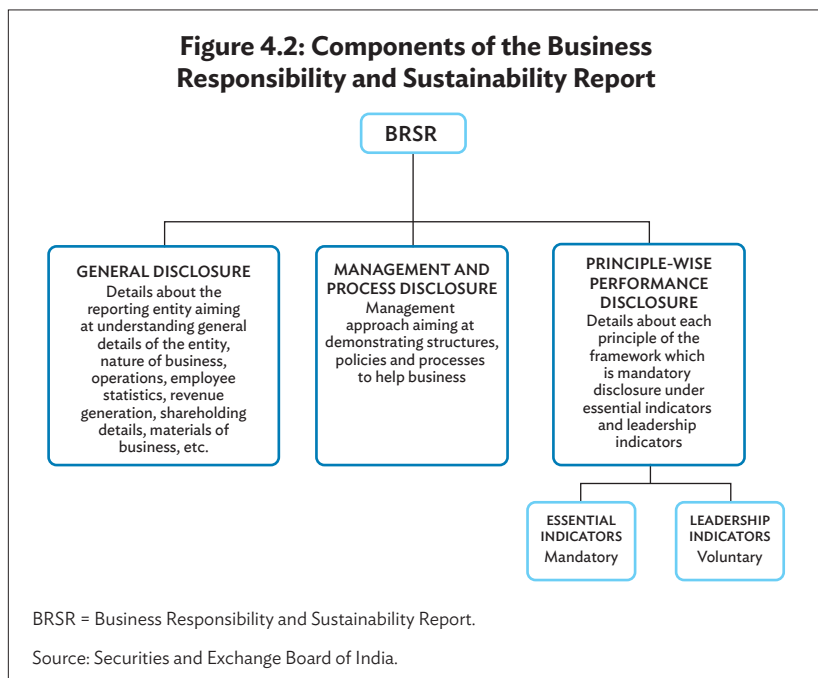
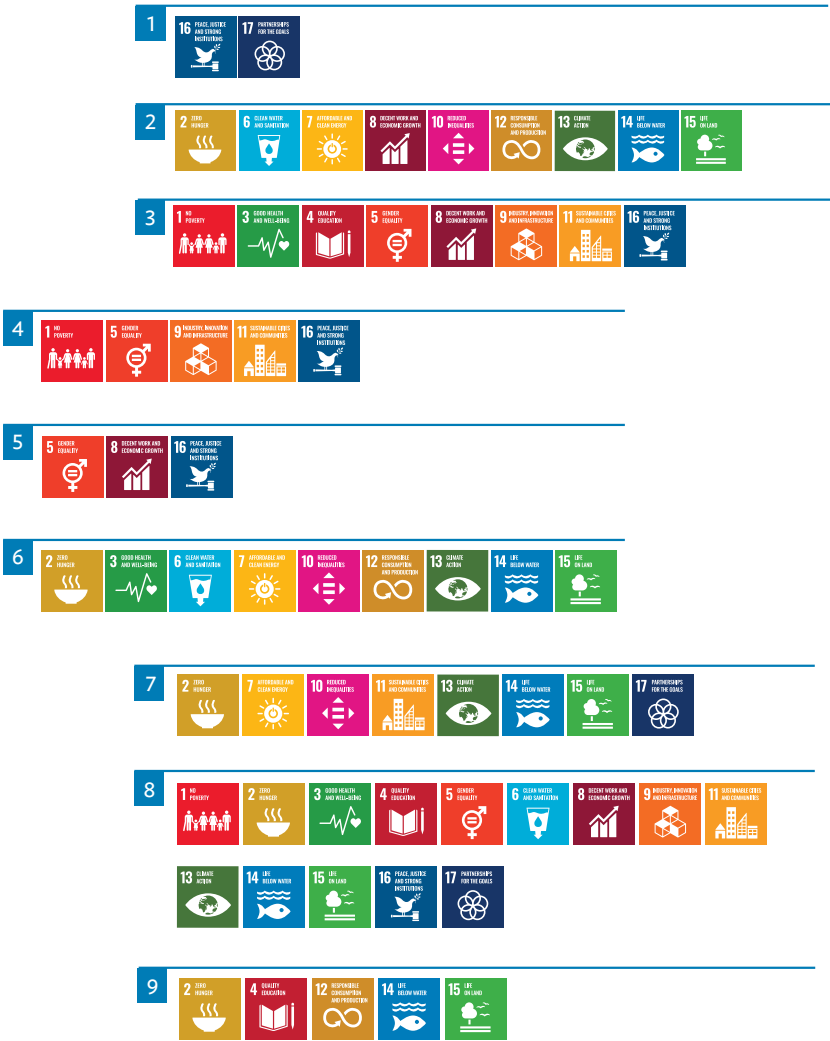


Figure 4.3: Sustainable Development Goals Mapped against the Nine Principles of India’s National Guidelines on Responsible Business Conduct



Note: The Nine Principles are outlined in Figure 4.1.
Source: Ministry of Corporate Affairs, Government of India.

The BRSR is included in the annual report and now also on the Ministry of Corporate Affairs MCA21 portal, but BRR is reported as part of the annual report. The BRSR's revised framework is based on the principles of ESG, interoperability, essential and leadership indicators, sustainability reporting, and assessment metrics, while the former reporting was based on the nine core principles that promote transparency, accountability, contribution to sustainability and human rights, stakeholder management, and environmental protection (Figure 4.3). According to the amendment, beginning with the financial year 2022/23, the top 1,000 listed companies (by market capitalization) must now submit BRSRs instead of the existing Business Responsibility Report (BRR). However, submission of BRSRs is optional for the financial year 2021/22 (SEBI 2021).

While the BRSR may be viewed as a regulatory obligation for businesses, it actually offers many advantages. Companies worldwide have experienced numerous benefits from disclosing their ESG performance. These benefits include an enhanced brand reputation, greater access to financial resources, improved risk management, increased employee engagement, and better engagement with stakeholders such as customers, suppliers, and regulators. Ultimately, adhering to the BRSR and making ESG disclosures can help businesses become more sustainable and resilient, leading to improved competitiveness and long-term value creation (Deloitte 2021).

Several global studies suggest that companies that incorporate ESG factors into their primary business practices generally outperform their competitors. This is also evident in India, as the MSCI India ESG leaders index (2023) has consistently surpassed the broader market (represented by MSCI India IMI index) for 12 consecutive years. Furthermore, the difference in performance between the two indices has continued to widen over time. It also reduces financial risks as demand is growing for energy companies to disclose their greenhouse gas emissions, especially as some are facing legal action for contributing to global warming. Hedge funds are also holding directors accountable for disclosing pollution information. In 2013, the World Bank limited its investments in new coal power plants to only exceptional cases, and in 2019, it ceased funding for upstream oil and gas operations (Volcovici, Shalal, and Abnett 2021). As per a study by KPMG International et al. (2016), there were approximately 400 sustainability reporting frameworks in 64 different countries in 2016, with 65% mandatory. This number indicated a significant increase from 2013 when only 44 countries had 180 reporting frameworks, of which 72% were mandatory. Despite the overall growth in the number of reporting frameworks, the percentage of mandatory frameworks decreased between 2013 and 2016 (KPMG International et al. 2016). One limitation worth noting is that mandatory

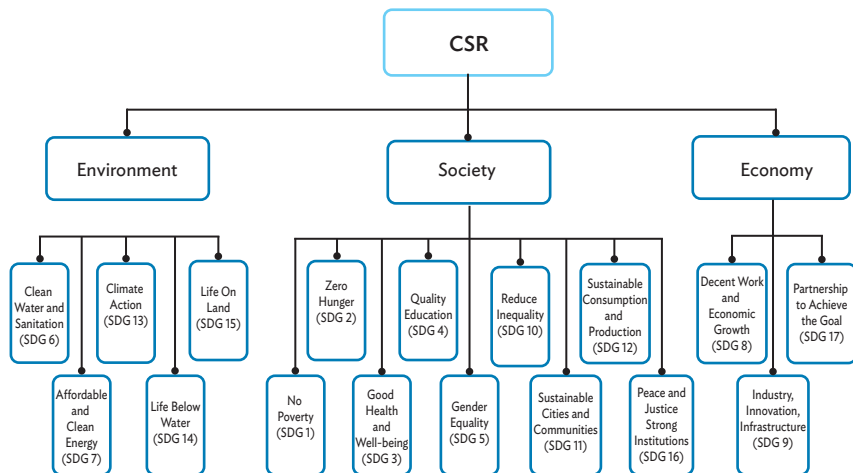
sustainability reporting requirements are typically imposed on state-owned companies, large corporations, or publicly traded companies. Additionally, these requirements often focus on specific aspects of sustainability rather than covering all sustainability-related issues. Some reporting frameworks also adopt a “comply or explain” approach, allowing companies to either comply with the reporting requirements or provide an explanation for why they have not complied.

4.5 Conclusion

Large-scale efforts such as Agenda 2030 and the SDGs have prompted voluntary self-regulation initiatives for CSR through public–private partnerships. These initiatives were launched in response to concerns about the impact of corporations on the environment and society (Macellari et al. 2021; Spraul and Thaler 2019). The United Nations has launched several CSR initiatives in this area, including the Global Compact in 1999, the Millennium Development Goals in 2000, and the Guiding Principles for Business and Human Rights in 2011. Although well-received by practitioners and scholars (Kell 2005; Williams 2004), these initiatives were also criticized for “bluewashing” or using CSR as a public relations tool (Berliner and Prakash 2015; Garayar, Heras-Saizarbitoria, and Boiral 2016). There is a lack of academic research in business and management regarding the effective engagement of companies with the SDGs as part of their CSR activities. This is due to the complexity of potential barriers and the measurement and management system for impact, which has led to around 28% of companies refraining from aligning themselves with the SDGs and undertaking CSR activities meaningfully (Scott and McGill 2019). Moreover, the limited research has failed to provide answers regarding the impact measurement and management in the context of the SDGs. However, strategic CSR is ultimately based on the importance of business to firms.

Appropriate steps are being taken in the People’s Republic of China, the European Union, the United Kingdom, the United States, and other countries to mandate companies to disclose information beyond financial performance, with about 400 sustainability reporting frameworks available globally (KPMG International et al. 2016). As a result of the implementation of the BRSR in India, higher levels of disclosure are expected from businesses as they endeavor to be more socially, environmentally, and ethically responsible. A study of the evolving Indian CSR scene reveals growth in alliances between corporations and civil society organizations, which were formerly uncommon. The 17 SDGs, which are influenced by a variety of government programs, provide the possibility for cooperation among the public, civil, and private sectors in India’s social, economic, and environmental development (Figure 4.4).

Figure 4.4: Integration of Corporate Social Responsibility and the Sustainable Development Goals



CSR = corporate social responsibility, SDG = Sustainable Development Goal.

Source: Authors' own analysis.

Interactions with the CSR heads of several companies and an analysis of their sustainability reports reliably reveal a clear growing awareness among Indian corporations to unify their CSR and SDG efforts for the greater social good. The role of the Indian government in adopting the BRSR as a simplified reporting tool (covering aspects of CSR–SDGs integration) is commendable. Figure 4.4 highlights the link between the three pillars of CSR (Elkington 1994) and the SDGs. Further, using the SDG objectives and indicators as measuring tools for evaluating the outcomes and effect of CSR investment can help accelerate the pace of collaboration between the social and corporate sectors (Lahiri 2018). This would address one of the gaps in India's CSR system: lack of a standardized reporting and impact evaluation system. The next chapter studies the impact assessment some of the top CSR spenders in the country employ and the role of reporting in strengthening the CSR–SDG bond.

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5

Managing and Measuring Integration of Corporate Social Responsibility and the Sustainable Development Goals Through Reporting

5.1 Introduction

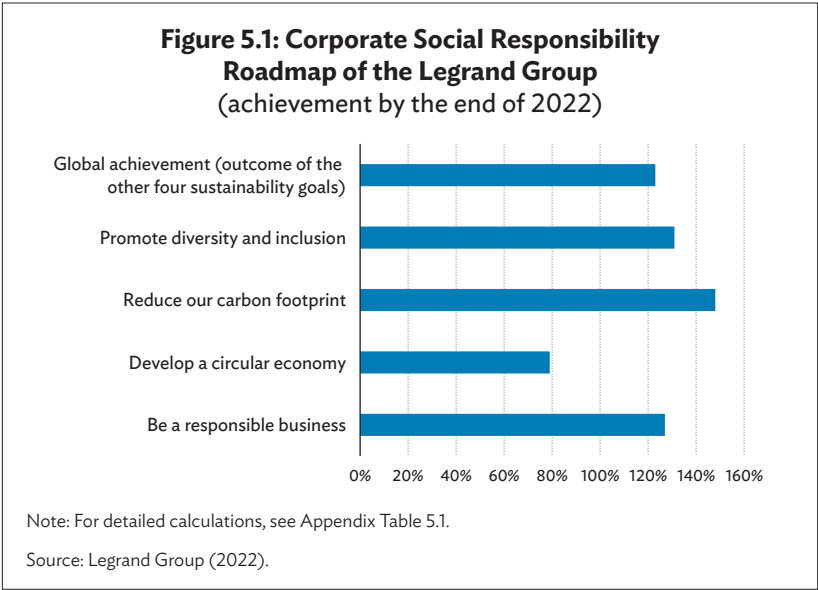
Over the past few decades, the public has become more conscious of social and environmental concerns, indicating a noticeable rise in awareness. As a result, businesses have also begun to take notice of these concerns and have shifted their focus toward promoting overall societal well-being, instead of solely pursuing profit maximization as previously believed (Chandler 2020). The modern economic landscape recognizes the importance of companies balancing their financial, social, and environmental responsibilities. This principle, known as the triple bottom line, coined by John Elkington (1994), provides firms with a competitive edge over the long term. Therefore, it is crucial for companies to implement sustainable business practices that not only minimize negative impacts on society and the environment but also promote their growth and development (Elkington 1994). To achieve this goal of competitive edge, companies must identify the needs of their stakeholders accurately, i.e., expand their range from just shareholders to internal and external stakeholders like employees, the local community, and the environment (Mishra 2021). They must then develop an appropriate corporate sustainability model to guide their sustainable practices and measure progress (Martinuzzi and Schönherr 2019). As noted in section 1.2, performing corporate social responsibility (CSR) is imperative for the corporations due to heightened public scrutiny with forces of normative and mimetic pressure coming to play.

This has led to companies placing more emphasis on communicating their sustainability practices through sustainability reports (Leyva-de la Hiz, Aragon-Correa, and Earle 2021; Wartzman and Tang 2019). Thus, companies use sustainability reports to demonstrate accountability and their commitment to sustainability practices, which is important for maintaining their legitimacy to operate (Cho et al. 2018).

Sustainability reporting serves as a crucial means for companies to communicate their sustainable practices and priorities to stakeholders (Kolk 2010; Reynolds and Yuthas 2008). It enables companies to convey their sustainability efforts, both accomplished and aspirational, to the stakeholders (Shinkle and Spencer 2012). Although sustainability reporting is predominantly voluntary and subject to less regulation compared to financial reporting (Berliner and Prakash 2015), it is a response to stakeholder pressure for companies to communicate their sustainability efforts (Bebbington and Unerman 2018; Cho and Patten 2007). Though not perfect, sustainability reports provide valuable information on a company's sustainability practices (Christensen, Morsing, and Thyssen 2013). Examining which of the Sustainable Development Goals (SDGs) companies prioritize and which they neglect can offer some insights, but does not allow for an assessment of whether the introduction of the SDGs had a real impact on firms' sustainability practices. The crucial question is whether firms genuinely altered the scope or intensity of their sustainability efforts in response to the SDGs, as reflected in their reporting, or if the adoption of the SDGs only represents a selective focus on their existing initiatives—i.e., it is simply a continuation of their usual business practices (Heras-Saizarbitoria, Urbieto, and Boiral 2021).

Impact reporting can lead to alterations in the scope or intensity of a company's sustainability efforts, as it provides a way to measure the effectiveness of those efforts and identify areas for improvement. For instance, in 2019, Nestlé published its first-ever comprehensive report on the impact of its business activities on the environment and society. The report identified areas where the company was making progress and where it needed to do more. As a result, Nestlé (2019) committed to increasing its use of recycled plastics in its food and beverage packaging and improving animal welfare in its supply chain. Impact reports also served as a road map of the commitment by H&M (2019) to use 100% sustainable materials in its clothing and products by 2030 based on its sustainability report, which detailed the company's significant progress in reducing its environmental footprint and improving the working conditions of the people in its supply chain. By measuring the impact of their sustainability efforts, the companies could identify areas for improvement and set targets. Figure 5.1 depicts how the

Legrand Group (2022) surpassed 2022 targets by an average of 123% based on their electrical and digital building infrastructure operations in 90 countries following its CSR roadmap, an annual exercise to plan, execute, and control CSR initiatives based on the targets set by the group’s CSR department in the Universal Registration Document 2022.



Although governments carry the primary responsibility for achieving the SDGs, they are highly unlikely to accomplish this task without significant support from the private sector. Companies, investors, and other participants in the capital markets have a pivotal role in this regard. Their contribution goes beyond financial capital, as they can also provide innovative and cooperative solutions to address the most urgent global challenges. Private capital markets are vital in the global pursuit of achieving the SDGs. Given the magnitude and urgency of the many challenges embedded in the SDGs, private sector capital is necessary to turn global aspirations into practical action. According to BNP Paribas (2019), most (65%) asset owners and managers worldwide have integrated the SDGs into their investment framework. To achieve the SDGs by 2030 at the global level, the United Nations Conference on Trade and Development (2014) projected that an annual investment

of \$5 trillion–\$7 trillion will be necessary, covering areas such as infrastructure, clean energy, agriculture, water, and sanitation. This amount is much higher than what governments and civil society can afford on their own, indicating that the private sector must contribute significantly to accomplish the SDGs. While environmental, social, and governance concerns, which align with the SDGs, are frequently depicted as potential risks to businesses, the private sector actually holds the power to unlock market opportunities worth \$12 trillion by actively pursuing and accomplishing the SDGs (Business and Sustainable Development Commission 2017). This finding emphasizes the significant market prospects associated with four major economic systems: food and agriculture, cities, energy and materials, and health and well-being. These systems collectively represent approximately 60% of the real economy and are projected to have vital contributions in attaining the SDGs (Business and Sustainable Development Commission 2017).

Organizations worldwide, regardless of their size or sector, have garnered significant media attention with raised expectations for their engagement with the SDGs. Recent academic research by Silva (2021) examined large multinational corporations listed on the Financial Times Stock Exchange or FTSE, of which 67% reported on the SDGs. According to PricewaterhouseCoopers (2019), a massive 72% of companies mention the SDGs in their annual reports, indicating they are an important parameter for suppliers and consumers of financial capital. However, this “declared support” to reporting on the SDGs can lead to credibility issues. A World Business Council for Sustainable Development survey (2017) revealed that 45% of member companies aligned their sustainable business practices with their business strategy goals, but only 6% employed SDG indicators to report performance, leading to a significant gap between SDG reporting and action.

A study by Poddar, Narula, and Zutschi (2019) found that most of the top 500 companies listed on the Bombay Stock Exchange have embraced CSR initiatives and tend to prioritize CSR activities that align with their core business operations, which directly impact local communities. However, there is a shortage of empirical evidence on how committed Indian organizations are to this initiative at the organizational level. To address this research gap, this chapter investigates the sustainability reports, annual reports, and CSR reports of 17 top-performing Indian companies complying with Section 135 of the Indian Companies Act, 2013 and strives to interpret the methods and motivations behind organizations’ engagement with mainstream CSR and the level of SDG integration.

5.2 Approaches to CSR–SDG Reporting

Companies have come to acknowledge the connection between sustainability and financial performance (Knox 2020), and stakeholders have become more vigilant in holding them accountable for irresponsible business behavior (Nason, Bacq, and Gras 2018). Investors are becoming increasingly aware of the sustainability performance of companies and are taking action based on this knowledge. This awareness highlights the importance of companies including their social, environmental, and sustainable performance in their annual reports or creating a separate report specifically for this purpose. According to the Fortune Global 250 study, 20% of the companies examined incorporated a sustainability section in their annual reports and 54% released a distinct sustainability report (Kolk 2005). In the past, sustainability reports primarily focused on environmental issues. Over time, these reports have also evolved to encompass social and economic aspects. A significant development during the 1990s was the introduction of integrated reporting, where annual reports incorporated sustainability information and established connections between different aspects of a company's performance. Integrated reporting gained popularity, with major companies like Coca-Cola and Phillips employing it in their reporting practices. The 1990s also witnessed the emergence of the Global Reporting Initiative (GRI) and sustainability reporting. The GRI framework gradually became more standardized and was adopted by a majority of S&P 500 companies. As a result, auditing and using formalized and comparable reporting practices such as GRI increased (Boiral, Heras-Saizarbitoria, and Brotherton 2019). These efforts have collectively led to better alignment between reporting and actual sustainability practices, particularly for large global corporations that are publicly traded. Sarkar and Singh (2019) utilized a balanced scorecard approach to align CSR initiatives with the SDGs. Companies can set clear goals using this approach and identify relevant key performance indicators for each SDG.

Various tools are available to facilitate the integration of CSR and the SDGs:

1. **SDG Compass:** This tool serves as a manual that assists businesses in aligning their strategies with the SDGs. Developed collaboratively by GRI, the United Nations Global Compact, and the World Business Council for Sustainable Development, this guide offers practical guidance and tools for companies to seamlessly integrate the SDGs into their fundamental business operations.

2. **SDG Mapping Tool:** This tool is an internet-based platform that aids businesses in determining the most pertinent SDGs that align with their operations and monitoring their advancement in achieving those specific goals. Developed by the World Business Council for Sustainable Development, it is utilized by prominent companies like Nestlé and Novartis.
3. **Materiality assessment:** This tool is a systematic procedure assisting companies in determining the sustainability issues that hold the greatest significance to their stakeholders and their business. Through this assessment, companies can identify the most crucial issues and concentrate their CSR endeavors on the areas with the most substantial potential contributions toward achieving the SDGs. Materiality assessments can be conducted using various methodologies, such as the GRI Sustainability Reporting Standards.
4. **SDG Impact Assessment:** The United Nations Development Programme created this tool, which assists businesses in evaluating the effects of their business operations on the SDGs. It offers a structured framework for companies to measure both the positive and negative impacts of their operations on the SDGs and identify areas for potential enhancement.

Companies can use either of the tools for effective target setting. Similarly, different reporting formats (GRI, SASB, etc.) are available to harmonize the reporting activities of CSR–SDG integration. As discussed in Chapter 4, India has also mandated the use of the Business Responsibility and Sustainability Report (BRSR) for better reporting and analysis of the SDGs. The GRI Sustainability Reporting Standards provide a comprehensive framework that helps organizations measure and report their environmental, social, economic, and governance performance. They have gained worldwide recognition as a widely accepted framework that offers a standardized and trustworthy set of disclosures that allow organizations to effectively communicate their economic, environmental, and social impacts. By utilizing the GRI Standards, organizations can enhance the quality and comparability of the information they publicly report (Neef 2004). This, in turn, facilitates better decision-making for the organizations themselves and their stakeholders. Ultimately, using these standards helps foster trust and confidence in the reported information, promoting transparency and accountability (GRI 2023).

On the other hand, the BRSR framework is mandated by the Securities and Exchange Board of India for listed companies. Compliance with the BRSR requirements ensures adherence to

regulatory guidelines, enhancing transparency and accountability in reporting practices. The framework is specifically designed to address the Indian business landscape, considering local regulations, cultural factors, and stakeholder expectations. This localized approach ensures the relevance and applicability of reporting requirements for Indian organizations. The BRSR framework offers a uniform format and structure for reporting, simplifying the comprehension and comparison of sustainability performance among listed companies in India. This standardization promotes consistency and facilitates benchmarking within the Indian market.

Before deciding on a suitable reporting mechanism, it is imperative to look at the differences between the two standards. A study by GRI, BSI Group, and BSE (2022) states that the BRSR requirements are primarily based on the financial year, while the GRI Standards are based on the reporting period, which may or may not align with the financial year. Second, certain BRSR indicators necessitate information for both the current and previous financial years, whereas the GRI Standards primarily focus on the current reporting period, though they should include information from the current period and at least two previous periods. Third, organizations using the GRI Standards are only obligated to report on topics that are considered material to them. In contrast, the BRSR already specifies the topics that must be reported, regardless of their materiality. Consequently, it is possible that reports following the GRI Standards may omit certain disclosures if they are not material to the reporting organization, whereas these indicators are mandatory for BRSR reporting (GRI, BSI Group, and BSE 2022).

Thus, the GRI Standards can be complex and require significant time and resources to implement effectively. Organizations may struggle with understanding the reporting requirements, selecting relevant indicators, and collecting accurate data. As the GRI Standards are widely adopted at the global level, reporting practices may vary, making it challenging to compare and benchmark sustainability performance across organizations and sectors (Neef 2004). Materiality assessment, a key component of the GRI Standards, can be subjective and may vary between organizations. Determining which issues are material to report on can lead to inconsistency and difficulty in comparability (De Cristofaro and Raucci 2022). The BRSR framework is specifically designed for Indian listed companies, which means its applicability is limited. Organizations operating outside India may find it less relevant or face challenges in aligning their reporting practices. The BRSR framework outlines specific reporting requirements based on predetermined topics. While this can provide clarity and guidance, it may limit the flexibility for organizations to report on other sustainability

issues that may be material to their specific circumstances. Although the differences may seem subtle, the disclosure level can significantly impact reporting outcomes. In the pursuit of transparency, providing slightly more information can prove highly valuable. Given the merits associated with sustainability reporting, it is essential to study reporting techniques employed by Indian firms to communicate their sustainable actions to stakeholders, as presented in the next section.

5.3 Analysis and Discussion

Primary data were collected through a questionnaire-based interview with the CSR heads of six companies (Juniper Networks India, Diageo India Limited, ACC Limited, Mahindra & Mahindra Limited, DHL Limited, and Legrand India) and analysis of data from the sustainability reports of 11 other companies (Reliance Industries Limited, Tata Consultancy Services [TCS] Limited, HDFC Bank Limited, Infosys Limited, ITC Limited, Tata Steel Limited, Wipro Limited, TATA Sons Private Limited, ICICI Bank Limited, NTPC Limited, and Indian Oil Corporation Limited). The latter 11 companies are among India's top CSR spenders (NITI Aayog 2021). The study explores the methods and motivations behind organizations' engagement with the SDGs, as well as the level of importance they assign to impact assessment. Table 5.1 depicts the depth of SDG integration into mainstream CSR planning.

Table 5.1: Integration of Corporate Social Responsibility and the Sustainable Development Goals and Impact Assessment

Company	Industry	Year	Section 135 Compliant	Type of Report	Integration of CSR and SDGs	Impact Assessment Conducted	Impact Assessment Report Available	Reporting Standards	ESG Impact Information (Yes/No)	Economic Information (Yes/No)	Nature of Report	Third-Party Certification for Sustainability Reporting
Juniper Networks	IT	2022	Yes	Global CSR report	Indirectly	No	No	GRI, SASB	Yes	Yes	Detailed	Not available
Diageo India Limited	Beverage	2021/22	Yes	Annual report and ESG reporting index	Yes 11 SDGs	No	No	GRI, SASB	Yes	Yes	Detailed	Only internal audit; no external assurance undertaken
ACC Limited	Cement	2021	Yes	Integrated annual report	Yes 13 SDGs	CSR impact assessment began in Dec 2021 and is still ongoing	No	BRR, Holcim Guidelines, GRI, WBCSD Cement Protocol, GCCA, CDP	Yes	Yes	Detailed	Yes, via TUV India Private Limited
Mahindra & Mahindra Limited	Automotive	2021/22	Yes	Integrated annual report and sustainability report	Yes 13 SDGs	Yes	Yes	GRI, BRR	Yes	Yes	Detailed	KPMG
DHL Limited	Logistics	2021	Yes	Annual report	Yes 6 SDGs	No	No	GRI, SASB, TCFD, World Economic Forum - Stakeholder Capitalism Metrics (Core Level)	Yes	Yes	Detailed	Yes, PwC Germany on limited assurance engagement
Legrand India Private Limited	Electrical	2022	Yes	Consolidated financial information	Yes 10 SDGs	No	No	GRI	Yes	Yes	Detailed	Yes, through independent auditors
Reliance Industries Limited	Energy, Petrochemicals, natural gas, telecommunications, retails, mass media, textiles	2021/22	Yes	Integrated annual report	Yes 9 SDGs	Yes	Yes	GRI, SASB, BRR	Yes	Yes	Detailed	KPMG

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Table 5.1 continued

Company	Industry	Year	Section 135 Compliant	Type of Report	Integration of CSR and SDGs	Impact Assessment Conducted	Impact Report Available	Reporting Standards	ESG Impact Information (Yes/No)	Economic Information (Yes/No)	Nature of Report	Third-Party Certification for Sustainability Reporting
Tata Consultancy Services (TCS) Limited	IT	2021/22	Yes	Integrated annual report	Yes 13 SDGs	Yes	Yes	GRI, BRSR	Yes	Yes	Detailed	EY
HDFC Bank Limited	Banking	2021/22	Yes	Integrated annual report	Yes 9 SDGs	Yes	No	GRI, BRSR	Yes	Yes	Detailed	KPMG
Infosys Limited	IT	2021/22	Yes	Integrated annual report	Yes 8 SDGs	No	No	GRI, SASB, BRSR	Yes	Yes	Detailed	KPMG
ITC Limited	FMCG, Agriculture, Paperboards and Packaging, Hotels, Infotech	2022	Yes	Annual report, sustainability and integrated report	Yes 14 SDGs	No	No	BRSR, GRI	Yes	Yes	Detailed	Deloitte
Tata Steel Limited	Steel	2021/22	Yes	Integrated report	Yes 15 SDGs	No	No	BRSR, GRI	Yes	Yes	Detailed	Price Waterhouse & Co Chartered Accountants LLP
Wipro Limited	IT	2021/22	Yes	Integrated annual report	Yes 15 SDGs	No	No	BRSR, GRI, SASB	Yes	Yes	Detailed	Yes, by DNV GL
TATA Sons Private Limited	Group of 100 companies	2021/22	Yes	Annual report	Yes 7 SDGs	Yes through OECD's Development Assistance Committee Framework	Yes	BRSR, GRI	Yes	Yes	Detailed	Yes, through different group companies
ICICI Bank Limited	Banking	2021/22	Yes	Annual report, ESG report	Yes 13 SDGs	Yes	Yes	IIRF, GRI, BRR	Yes	Yes	Detailed	Yes, limited assurance via TUV India Private Limited

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Table 5.1 continued

Company	Industry	Year	Section 135 Compliant	Type of Report	Integration of CSR and SDGs	Impact Assessment Conducted	Impact Assessment Report Available	Reporting Standards	ESG Impact Information (Yes/No)	Economic Information (Yes/No)	Nature of Report	Third-Party Certification for Sustainability Reporting
NTPC Limited	Electricity	2021/22	Yes	Integrated annual report	Yes 15 SDGs	No	No	BRSR, GRI	Yes	Yes	Detailed	PwC
Indian Oil Corporation Limited	Energy; oil and gas	2021/22	Yes	Integrated annual report	Yes 14 SDGs	Yes	Yes	BRSR, GRI	Yes	Yes	Detailed	Yes, Social Responsibility Asia provided an independent assurance statement on the company's Sustainability Report 2021-22

BRR = Business Responsibility Reporting, BRSR = Business Responsibility and Sustainability Report; CSR = corporate social responsibility, ESG = environmental, social, and governance; GCCA = Global Cement and Concrete Association; GRI = Global Reporting Initiative; IIRF = International Integrated Reporting Framework; OECD = Organisation for Economic Co-operation and Development; SDG = Sustainable Development Goal; TCFD = Task Force on Climate-Related Financial Disclosures; WBCSD = World Business Council for Sustainable Development.

Source: Interviews with stakeholders and the corporate sustainability reports (2021–2022).

Consistent with the World Business Council for Sustainable Development (2017) findings, all the companies in our study integrated their CSR strategy with SDG targets. The same was communicated through their sustainability reports. However, the impact assessment presents a true picture of the CSR–SDG alignment and measures the effectiveness of the company's projects and initiatives. Although some actions may not immediately impact the economy or society, the indirect effects should be considered a vital aspect of the analysis. These effects can influence the quality and profitability of the business in the long term. Measuring the impact of sustainability efforts is crucial to determine progress and identify areas for improvement.

In the study, only 47% of the companies conducted impact assessments for their projects; the majority did not because it was voluntary. The Government of India notably included a mandatory impact assessment requirement in the Indian legislation effective from February 2021. Companies that have dedicated ₹100 million (\$1.35 million) or more to CSR in the past 3 fiscal years must conduct an impact evaluation of their CSR projects that cost over ₹10 million (\$0.13 million) and have been running for at least 1 year.¹ An independent agency must conduct the impact assessment on a project basis if both criteria are met. For others, an impact assessment is still voluntary.

A closer look at the annual report of Mahindra & Mahindra Limited (2022), an Indian multinational automobile manufacturing corporation, reveals its active involvement in CSR initiatives further aligned with the SDGs. The company engaged the services of DevInsights Private Limited and Value Network Ventures Advisory Services Private Limited to conduct impartial third-party impact assessments for their five CSR projects: Project Nanhi Kali, Mahindra Pride, Mahindra Academy-Malad, Mumbai, Mahindra Scholarship for MUWCI Students, and Project Hariyali. Reliance Industries Limited (2022) has commissioned eight impact assessments on projects that independent third-party agencies have evaluated. These assessments include the impact of the role of farmer producer organizations in rural transformation under the Reliance Foundation Bharat India Jodo project by Global Agri System Private Limited, an evaluation of the community development program in Madhya Pradesh by Samhita Social Ventures Private Limited, and the impact of the Empowering Rural Communities through Knowledge-Based Livelihood Support program by N R Management Consultants India Private Limited.

¹ See Appendix 1 for detailed conversion rates used throughout the book (\$1 = ₹74.225).

TCS (2022) has been performing evaluations within their company to track and analyze the effectiveness of their strategic CSR initiatives. They are aware of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and have started an independent impact assessment of one of their CSR projects, Tata Translational Cancer Research Centre. During fiscal year 2021/22, HDFC Bank Ltd (2022) commissioned eight impact assessment studies, of which two were mandatory under the CSR Rules and the remaining six were voluntarily. The bank engaged two independent impact assessment agencies, Basic Paradigm and N R Management Consultants India Ltd, to evaluate two projects: Holistic Rural Development Program (HRDP) in the districts of Samastipur (Bihar), Pune (Maharashtra), Jirang (Meghalaya), and Ludhiana and Moga (Punjab) and the Focused Development Program (FDP) in districts Angul and Dhenkanal (Odisha). The impact assessment of the project Holistic Rural Development Program (HRDP) in the district of Katni (Madhya Pradesh) was carried out by TRIOs Development Services (P) Ltd. However, the bank has not publicly disclosed the results of any of the six voluntary impact assessment studies.

Despite mapping the CSR initiatives with the SDGs, industry stalwarts like Diageo India, Legrand India, and DHL India have not undertaken any exercise to assess the impact created in society voluntarily (Table 5.1). On the other hand, Tata Steel Limited conducts impact assessments of its main CSR projects on a voluntary basis as a routine procedure. However, for fiscal year 2021/22, no projects were executed or completed that required an impact assessment report (Tata Steel Limited 2022).

Companies did not provide specific information about social impact assessments, evaluations of gender and environmental impacts, ongoing monitoring processes, and public disclosure of assessment results. While some companies mentioned their environmental and social impact assessments in sustainability reports, they did not discuss monitoring processes and other related indicators (Singh, Holvoet, and Pandey 2018). Thus, the lack of a standardized reporting format for impact assessment renders it noncomparable across companies and sectors. These reports are prepared by an independent third-party agency, lacking a standardized approach for CSR and SDG integration. Another problem has been inconsistent reporting as some impact assessment reports are not available in the public domain.

The results from our study indicate that most organizations in the sample engaged deeply with the SDGs through their CSR activities, implying no form of “SDG-washing” in their reporting. Except for Juniper Networks, all other companies reported CSR–SDG integration.

Further, Juniper Networks India (a subsidiary of Juniper Networks in the United States) prepared its sustainability report in compliance with the international standards of GRI and SASB, essentially highlighting the CSR–SDG alignment. The same was reported for other companies under study, thus registering 100% compliance with the national (BRSR, Business Responsibility Reporting) and international reporting standards (GRI, SASB, Task Force on Climate-Related Financial Disclosures, etc.).

Our study also discusses the implications of these findings for managers, policymakers, and other stakeholders. The sustainability reports from the top-performing firms in the study indicate that progress is being made toward the SDGs, but this progress is uneven and incomplete. While these firms are not merely selecting specific SDGs to report on, they are also not approaching all SDGs in a fully systematic manner (Table 5.1). This could be because of the challenges of designing, implementing, and reporting on change across all 17 SDGs, or it could be indicative of organizational limitations. Our findings suggest that depending solely on normative pressure might not be satisfactory to accomplish the ambitious, sustainability-focused transformation the SDGs envision. The study indicates that while progress is being made on some SDGs, others are not receiving as much attention and may require policy support or innovative partnerships to address them (Table 5.1). Interestingly, goals like SDG 5 (gender equality) and SDG 13 (climate change), which received less attention from the government (NITI Aayog 2021), fare well in our study, indicating heightened interest in the corporate sector. This public–private partnership must be exploited to contain India’s downfall in the SDG global rankings. Therefore, the government must strive to incentivize initiatives of the private sector in SDGs requiring greater attention.

5.4 Conclusion

This research study provides valuable insights into how Indian firms align with the SDGs in their sustainability reporting, but it does have limitations that present opportunities for future research. One major limitation is the sample selection, which focused on top CSR performers. While this selection aligns with the call from the United Nations for leading firms to act as major actors of change, it also limits the generalizability of the findings (GRI, UN Global Compact, and WBCSD 2015). Several scholars have recognized the importance of industry leaders who promote impactful environmental practices and advocate for stricter regulations. These leaders set an example for other firms to follow and also exert pressure on policymakers to take stronger action

(King and Lenox 2001), ultimately creating a “first-mover advantage” effect (Przychodzen, Leyva-de la Hiz, and Przychodzen 2020). Another limiting factor was the selection of large corporations in the analysis, neglecting the sustainability efforts of smaller enterprises. To fill this gap, future studies could focus on small and medium-sized enterprises and assess their contributions toward achieving the SDGs. Additionally, sustainability reports, which are just one of many sustainability-related practices that large firms engage in, were the primary source of data. While these reports helped in conducting a rigorous analysis, other sustainability-related practices could also be studied.

There is a lack of accountability for companies that fail to meet their SDG and CSR commitments. This makes it difficult to hold companies responsible for their actions and can undermine the effectiveness of the frameworks. Inconsistency in reporting practices has emerged as a significant challenge. Impact assessment reports from different companies often adopt their preferred formats, resulting in a lack of standardization. This absence of a consistent reporting system for impact assessment creates obstacles when attempting to compare the performance of companies and sectors (Centre for Responsible Business 2021). Thus, there should be one standard reporting format that can make the reports comparable. Although companies can opt from the GRI (international reporting standard) and BRSR (Indian reporting standard), there should be a bridge that can link the two and bring Indian and international reporting in line with each other. Also, the reports do not visualize the target while reporting the outcome of a project. Although the new law on mandated impact assessment is a good step to bring project outcomes into the public eye, there should be some goal setting. The inaccessibility of impact assessment results posed another hurdle in data collection. While some companies mentioned they carried out an impact assessment of their projects in their annual report, such results and/or reports are not available in the public domain. This was the case with HDFC Bank Limited in their Integrated Annual Report 2021-22, which states the bank conducted an impact assessment of their project, but the impact reports are not publicly available (HDFC 2022). Similarly, at the time of this study, the website link for ICICI Bank Limited’s sustainability report redirected to the company’s home page. Therefore, companies must comply by making reports available in the public domain and ensuring zero technical faults at all times.

The SDGs exert normative pressure² (UNGC and Accenture Strategy 2016) as their implementation is voluntary and based on stakeholders’

² Institutional theory identifies cognitive, regulative, and normative pressures on organizations (Campbell 2007).

expectations of what companies should do. While this pressure can be a constraint, it can also be an opportunity for companies to disclose their sustainability practices and enhance their legitimacy to gain market share (Yin and Zhang 2012; Zhu and Sarkis 2007). Normative pressure from the SDGs has been shown to bring about changes in content and reporting styles or practices, which goes beyond being just a theoretical concept (Pizzi, Rosati, and Venturelli 2021; Bebbington and Unerman 2018).

The SDGs have led to significant albeit inconsistent changes in the sustainability efforts of leading firms. Other actors, such as governments, nongovernment organizations, and small and medium-sized enterprises, must work together to build on this momentum and accelerate progress in addressing the most significant global challenges (Whittingham et al. 2023). Instead of focusing on aligning sustainability efforts with the 17 SDGs, it may be more effective to align them with specific targets within the SDGs (Dinter 2021). If an organization focuses only on the SDGs that are easier to achieve, it can lead to SDG-washing. It is important to address all relevant SDGs, not just the easily attainable ones (Heras-Saizarbitoria, Urbieto, and Boiral 2021). To prevent SDG-washing, the organization can evaluate the SDGs that have the most significant impact and determine how the business activities can contribute to advancing them. If there is a goal that does not apply to their business, companies should be transparent in their sustainability reports about the reasons why, rather than intentionally ignoring it.

While there are some regulations in India that require businesses to report on sustainability-related issues, there is no comprehensive regulatory framework that mandates reporting on the SDGs (Centre for Responsible Business 2021). Our research on the existing reporting mechanism revealed a wide disparity in terms of disclosure and impact assessment. Many businesses in India may not fully know the SDGs and their relevance to the company's operations. This can lead to a lack of interest in reporting on SDG-related activities or a lack of understanding about how to report on these activities (Observer Research Foundation 2020). Mishra (2021) points out the need for greater awareness and understanding of the SDGs among companies. Educational programs and training initiatives could help familiarize organizations with the SDGs and encourage their active engagement. Mehta and Gupta (2019), who found that companies that report on the SDGs have higher-quality CSR reports than companies that do not, recommended that corporations employ the SDGs as a framework to guide their CSR reporting and adopt the GRI Standards to enhance their CSR reports. Thus, developing a new framework for reporting impact assessments at par with international standards will cater to better goal setting and planning.

India and the rest of the world have entered the Decade of Action to achieve the SDGs, with less than a decade remaining to address major issues such as poverty, gender inequality, and climate change (NITI Aayog 2021). Since the adoption of the SDGs, all stakeholders involved in development have recognized the importance and urgency of adopting, implementing, and monitoring these goals at national, subnational, and local levels. This shared understanding is being translated into specific actions at all levels of government through collaboration with civil society, private organizations, and other stakeholders (NITI Aayog 2021). Greater coordination is needed among various agencies responsible for collecting and reporting data on SDG indicators. This is particularly important since the SDGs cut across multiple sectors, including health, education, and the environment (NITI Aayog 2020). To achieve sustainability through the SDGs, CSR should not be limited to mandatory donations but should also include decision-making on companies' core business. Nonprofit organizations should also focus on building trustworthy partnerships, taking risks, and working toward solutions that benefit all parties involved. As is evident from the discussion in the preceding chapters, the double-edged sword of CSR and the SDGs can help countries tread faster toward the 2030 mark. While Indian companies have made progress in integrating CSR and the SDGs, room for improvement still exists (Mishra 2021).

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Appendix 5

**Table A5.1: Progress by Legrand Group Based
on Their Corporate Social Responsibility Roadmap**
(achievement by the end of 2022)

Indicators	2022 Objective	2022 Result	% Change
A. Promote Diversity and Inclusion		Achievement Rate 131%	
Gender diversity: Achieve a level of 30% of management positions filled by women	27.7%	28.5%	102.9%
“Diversity & Inclusion” labelling: Achieve a level of 80% of the workforce working at an entity holding the label	30.0%	44.5%	148.3%
Employability of early-in-careers: Offer 4,000 new opportunities to early-in-careers each year	4,000	3,875	96.9%
Diversity and inclusion among suppliers: Develop 200 additional businesses with suppliers qualified as “Diversity & Inclusion”	40	71	177.5%
B. Reduce Our Carbon Footprint		Achievement Rate 148%	
CO ₂ emissions avoided for our customers: Thanks to the group’s energy efficiency solutions, enable our customers to avoid the emission of 12 million tons of CO ₂	4 Mt	4.2 Mt	104.3%
Direct and indirect CO ₂ emissions (scopes 1 & 2): Reduce the group’s CO ₂ emissions within scopes 1 and 2 by 10% each year through energy efficiency improvements at our manufacturing sites and renewable energy deployment	–10.0%	–14.9%	148.9%
Indirect CO ₂ emissions (scope 3): Encourage at least 250 key suppliers to have an official CO ₂ emission reduction target of 30% on average by 2030 – Number of suppliers	50	111	222.0%
Indirect CO ₂ emissions (scope 3): Encourage at least 250 key suppliers to have an official CO ₂ emission reduction target of 30% on average by 2030 – Supplier commitment	–80 kt CO ₂ e	–127.3 kt CO ₂ e	159.1%

continued on next page

Table A5.1 *continued*

Indicators	2022 Objective	2022 Result	% Change
C. Develop a Circular Economy	Achievement Rate 79%		
Use of recycled materials: Achieve a rate of 15% recycled plastics in products manufactured by the group	10.0%	5.4%	54.0%
Use of recycled materials: Achieve a rate of 40% recycled metals in products manufactured by the group	20.0%	19.4%	97.0%
Phase out single-use plastic: Eliminate 100% of single-use plastic in plastic flow pack packaging	-10.0%	2.1%	0.0%
Phase out single-use plastic: Eliminate 100% of single-use plastic in expanded polystyrene packaging	-10.0%	-31.7%	150.0%
Environmental declarations: Cover 72% of the group's annual sales with Product Sustainable Profiles	70.0%	69.0%	98.0%
D. Be a Responsible Business	Achievement Rate 127%		
Customer satisfaction: Achieve 90% of sales made to satisfied customers (satisfaction surveys)	90.0%	90.0%	100.0%
Business ethics/compliance: Continue Legrand's commitment to business ethics: framing, training, and complying	100.0%	98.5%	98.5%
Employability and skills development: Provide training for 85% of employees each year and attain 7 hours of annual training for each employee	85% (5h)	95.8% (5h)	112.70%
Safe workplace: Reduce the workplace accident frequency rate by 20% (FR2)	-7.0%	-14.3%	204.7%
Expanded social coverage: Expand the Serenity On program to cover 100% of employees	65.0%	77.0%	118.5%

CO₂ = carbon dioxide, CO₂e = CO₂ equivalent, kt = kiloton, Mt = megaton.

Source: Legrand Group. 2022. 2022 Universal Registration Document: Together Improving Lives. Limoges Cedex, France.

Final Thoughts

Over the years, governance of corporate social responsibility (CSR) has evolved from a less interventionist approach to a more rigorous regulatory framework that imposes increased obligations on corporations. This includes the implementation of stricter mandatory disclosure requirements, which aim to provide greater transparency on how CSR initiatives that companies undertake impact various stakeholders and the broader community. The current focus of political, economic, and business leaders revolves around the climate emergency, which has become a prominent concern. Droughts, heat waves, rising sea levels, environmental degradation, and more intense and frequent weather events have drawn global attention to the issue of climate change. Tackling a crisis of this magnitude necessitates a comprehensive strategy rather than haphazardly implementing CSR initiatives. Therefore, it is crucial for organizations to approach action plans with a strategic mindset, considering both environmental risk reduction and business scalability, rather than solely adopting a philanthropic perspective. Now is the moment to thoroughly examine and evaluate the most influential establishments—i.e., corporations—to assess their ability to contribute to the advancement of sustainability in political systems, governance structures, economies, corporate practices, communities, and, ultimately, societies. The leaders will have to envision a broader perspective, chart the course for the future, and involve various decision-makers and stakeholders in the process. At the same time, they must possess the capacity to delve into the specifics and address the crucial areas where implementation and practical actions are required. For instance, the remuneration of Legrand's executives and decision-makers, including the chief executive officer, members of the management committee, country managers, and strategic business unit managers, includes a significant component based on nonfinancial performance, specifically related to CSR. Since 2016, CSR criteria have been incorporated in the compensation systems of the executive team and managers in the form of variable pay.

India has improved its performance on the NITI Aayog SDG India Index, with an overall score of 66 in 2020/21 compared to 60 in the previous year. The country has particularly made significant progress in increasing its forest area, ranking third globally in terms of net gain in forest area between 2010 and 2020. The increase in forest cover in India from 2010 to 2020 is primarily attributed to the growth of

very dense forest cover, which witnessed an approximately 20% rise during that period. Open forest cover also saw a 7% improvement. However, continued efforts are needed to further enhance forest and tree cover in the country, and social forestry initiatives can potentially play a significant role in this endeavor. States and union territories in India should focus on enhancing the management of their groundwater resources by improving recharge mechanisms and addressing overexploitation issues. This is crucial to prevent the deterioration of critical and semi-critical areas of groundwater availability. Furthermore, India has placed a stronger emphasis on climate action, evident from its commitment to achieving net zero emissions by 2070. Climate finance will play a significant role in supporting successful climate action in developing countries, including India.

One of the major issues of the modern era is the increasing gap between those who have access to digital resources and those who do not, and narrowing this gap is a crucial concern. The coronavirus pandemic has made it evident that the Sustainable Development Goals (SDGs) cannot be accomplished solely by relying on the trickle-down effects of technology. Instead, technology must be specifically designed for the benefit of the bottom 250 million individuals and made available to them at the same pace as the rest of society. Many tech entrepreneurs are now starting nonprofit organizations to develop technology that addresses the problems and needs of India's poorest populations. Examples are Deepinder Goyal's Zomato Feeding India and Simeen Kaleem's Gramhal. Start-ups such as Saarthi, Madhi Foundation, and Rocket Learning are focusing on education to ensure that children in public schools and low-income communities do not fall behind in a world that has rapidly embraced digital education. Healthtech start-ups like Intelehealth, Aaroogya, and Khushi Baby are expanding the reach of technology to meet the health-care needs of India's most remote and marginalized communities.

Not having an impartial agency responsible for evaluating and penalizing companies for their failure to comply with Section 135 of the Companies Act, 2013 undermines the significance of this provision. The absence of social accountability and a mechanism for scrutinizing CSR activities by society or its representatives is a notable oversight. It may be necessary to reconsider and revamp Section 135. Currently, annual reports are submitted to the Registrar of Companies of the Ministry of Corporate Affairs without a specific provision for detailed examination. To enforce Section 135 effectively, an independent agency, such as a registrar or authorized certifying agencies, should be entrusted with the evaluation of CSR activities on behalf of society. This approach would enhance compliance with Section 135 and also benefit the company

by improving its reputation among consumers and attracting future investors. Credit channels and private equity have significant potential to support socially and environmentally beneficial activities while discouraging detrimental practices in the companies they invest in.

CSR reporting in India has undergone significant changes in recent years, with an increasing number of companies reporting their CSR activities. In future, CSR–SDG reporting in India is expected to become more integrated, comprehensive, and standardized. There is a growing recognition among companies that CSR reporting should not just be a compliance exercise but rather a strategic tool to create positive social and environmental impact. The global sustainability agenda provides a framework for companies to align their CSR activities with and to report on their contributions toward achieving the SDGs. One company that has taken a comprehensive approach to CSR–SDG reporting is Mahindra & Mahindra Limited (M&M), a leading Indian multinational automobile manufacturer. The company has aligned its CSR activities with the SDGs and integrated SDG reporting into its annual sustainability report. It has identified five SDGs that are most relevant to its business and CSR activities, setting specific targets and indicators for each SDG. The company's SDG reporting includes not only quantitative data on its CSR activities, but also qualitative information on the social and environmental impact of these activities.

The future of CSR–SDG reporting in India is also likely to be influenced by regulatory developments. The Companies Act, 2013 requires companies to spend at least 2% of their profits on CSR activities and to report on their CSR spending and activities in their annual reports. The Ministry of Corporate Affairs has also released guidelines for CSR reporting (the Business Responsibility and Sustainability Report format discussed in Chapter 4), which encourages companies to report on their contributions toward the SDGs.

The outcome of our study should also be understood in light of a few limitations and shortcomings. Our research considered the Indian perspective and the legal provisions applicable in India. Hence, we acknowledge that the global perspective may differ, but the results might hold for other developing countries around the world.

However, the reporting practices among companies still differ, for example in the following ways:

- **Scope of reporting:** Some companies only report on their CSR activities in India, while others report on their global CSR activities. This can make it difficult to compare performance across companies.
- **Level of detail:** There is no standard format for reporting on CSR activities in India, and some companies provide more

detailed information than others. This can make it difficult to compare performance across companies or to evaluate the impact of CSR activities.

- **Metrics and targets:** Some companies report on a wide range of metrics related to their CSR activities, while others focus on a few key indicators. Additionally, some companies set specific targets for their CSR activities, while others do not.
- **Reporting standards:** There are no mandatory reporting standards for CSR activities in India, and companies are free to report on the metrics and indicators they choose. This can make it difficult to compare performance across companies or to evaluate the impact of CSR activities.
- **Compliance:** Some companies view CSR reporting as a compliance exercise to meet regulatory requirements, rather than a genuine effort to create positive social and environmental impact.

Despite these challenges, there is a growing recognition of the importance of CSR reporting and a push for greater standardization and transparency in reporting practices. There is also a global acceptance of the intricate connections and interactions between effective corporate governance, CSR practices, and their impact on society and sustainable development in developing and emerging economies. However, attention to the institutional and sustainable development perspectives of CSR in this context has been extremely limited. There is a critical need to address this gap by examining theoretical models, corporate strategies, and practical solutions that specifically cater to CSR in developing and emerging economies. Additionally, identifying and overcoming barriers that hinder the effectiveness and enhancement of CSR concepts and practices in these regions is crucial.

To ensure smooth CSR–SDG implementation, the Government of India can work toward incentivizing the private sector. The private sector has been recognized as a crucial player and partner in achieving the 2030 Agenda for Sustainable Development due to its potential in driving entrepreneurship, providing financial resources, technical expertise, and fostering innovative solutions. The Companies Act of 2013 has set the stage for greater involvement of the private sector in implementing the SDGs using CSR as a vehicle. The growing role of the private sector can be attributed to the magnitude of the challenges at hand and the economic realities of a global economy with low yields. The SDGs are seen as a commercially viable opportunity, where partnerships that align commercial objectives with social and environmental outcomes are highly desirable. Recognizing and rewarding the private

sector for such synergistic partnerships can have a positive ripple effect. Governments and regulators also play a crucial role in setting norms and monitoring the private sector's sustainability practices.

There is great potential for competitive collaboration among states and union territories in various areas. These regions share similarities in terms of geographical conditions, climate, production and trade of goods and services, population groups, infrastructure, and other features. These commonalities provide opportunities for collaborative initiatives and joint efforts across multiple domains. Such collaborations would also eliminate duplication of efforts and can help solve the issue of spatial disparity among the states and union territories.

Finally, localizing the SDGs is crucial for their effective implementation, requiring tailored strategies and monitoring at the local level. Involving civil society organizations in this process is essential. Such organizations play a vital role in representing the interests of vulnerable groups, advocating for accountability, promoting equitable delivery of public services, and monitoring progress on the ground. Their participation ensures that marginalized communities are prioritized and their needs are addressed promptly. It is important to have both market players and civil society organizations engaged alongside the government in addressing sustainability challenges, because the complex nature of these challenges requires a collective effort from all sectors of society. Additionally, sustainable development involves the allocation of resources and responsibilities for achieving environmental health, social equity, and economic prosperity among different societal actors.

To conclude, the future of the world hinges on the sustainable practices we adopt in the present. By developing a focused plan and implementing strong environmentally friendly strategies, we have the potential to expedite the global shift from a linear "take-make-waste" model to circular economy models that promote sustainability and ensure a better future. To ensure meaningful contributions toward the SDGs, businesses need to fundamentally reconsider their role in society. Rather than adopting a narrow perspective that prioritizes short-term profits, companies should assess their own impacts, align their core strategies with the SDGs, and collaborate with others to drive systemic change and foster a more human-centered economy. Central to this approach is the recognition that the long-term well-being and success of both businesses and societies are interconnected.

Glossary

Accountability: The extent to which a firm attends to the needs and demands of its stakeholders.

Balanced scorecard: Strategic management performance metric used to identify and improve various internal business functions and their resulting external outcomes. It involves measuring four main aspects of a business: learning and growth, business processes, customers, and finance. It allows companies to pool information in a single report, provide information on service and quality in addition to financial performance, and help improve efficiencies.

Bluewashing: The practice of businesses to sign up for the United Nations Global Compact and use their association with the United Nations to enhance their image and shift attention from their controversial business practices, to improve the public perception of their values, social programs, and governance practices without introducing any real changes or reforms.

Business ethics: The application of ethical theory to organizational decision-making.

Carbon footprint: A firm's total emissions of carbon-related greenhouse gases, often measured in terms of tons of carbon or carbon dioxide.

Circular economy: A means to reduce waste via greater efficiency, reuse, repair, or recycling.

Climate change: The term used to describe the effect of human economic activity on the planet's atmosphere and weather systems.

Competitive advantage: Competencies, resources, or structural positioning that separate a firm from its competitors in the marketplace.

Corporate citizenship: Socially oriented actions by firms designed to demonstrate their role as constructive members of society.

Corporate philanthropy: Contributions by firms that benefit stakeholders and the community, often made through financial or in-kind donations to nonprofit organizations.

Corporate responsibility: The incorporation of ethical elements, such as the public interest and environmental concern, into business strategy planning.

Corporate social responsibility: A form of regulation or self-regulation that reflects the accountability and commitment of a business to contribute to the well-being of communities and society through various environmental and social measures.

Gini coefficient: A measure of the inequality of all the regions in a country.

Infant mortality rate: The probability of a child born in a specific year or period dying before reaching the age of 1.

Net profit: The total and final revenue of a company after deduction of expenses, interests, and dividends (under Section 198 of the Companies Act, 2013). Net profit is the profit before tax.

Net worth: The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet. It does not include reserves created out of revaluation of assets, write-back of depreciation, and amalgamation.

Net zero: Cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance (also known as carbon neutral).

Profit maximization: A tendency of firms to maximize profits in the short or long run by using the most efficient methods and equalizing the marginal cost and revenues. Its main purpose is to increase the level of production of a firm or business that will grant it the maximum profit on selling goods and services.

SDG-washing: When companies make vague or false claims about their contributions to the Sustainable Development Goals for marketing and image improvement without actually taking meaningful actions to support the goals. This practice can mislead consumers, who may believe they are making a positive impact through their purchasing decisions when they are not. In other words, reporting on positive contributions to the global goals and ignoring important negative impacts.

Shareholders' wealth maximization: The concept of increasing the value of a business to increase the value of the shares held by its stockholders. The concept requires a company's management team to continually search for the highest possible returns on funds invested in the business, while mitigating any associated risk of loss.

Strategy: Determines how a firm will undertake its mission. It sets forth the ways it will negotiate its competitive environment to attain a sustainable advantage.

Surplus: The income generated from the spending on corporate social responsibility (CSR) activities, e.g., revenue received from the projects, interest income earned by the implementing agency on funds provided under CSR, disposal or sale of materials used in projects, and other similar income sources. The surplus arising out of CSR activities shall be utilized only for CSR purposes.

Sustainable development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Includes not only environmental resources but also social and economic resources.

Triple bottom line: An evaluation of the total business by comprehensively assessing a firm's financial, environmental, and social performance.

Turnover: The aggregate value of the realization of amount made from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.

Value chain: Used to describe the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal or recycling processes. Upstream activities are operations that relate to the initial stages of producing a good or service, i.e., material sourcing, material processing, and supplier activities. Downstream activities are operations that relate to processing the materials into a finished product and delivering it to the end user, i.e., manufacturing, transportation, distribution, and consumption.

Value creation: The generation of a perceived benefit for an individual or group, as defined by that individual or group.

Exploring the Interlinkages Between Corporate Social Responsibility and the Sustainable Development Goals

A Case Study of India

Corporate social responsibility (CSR) has grown from a marginal to a mainstream activity. Corporations, traditionally driven by profit maximization, are increasingly recognizing their responsibility toward societal and environmental issues, partly driven by societal expectations and regulatory changes, particularly in developing economies.

CSR activities can align with the Sustainable Development Goals (SDGs) and have the potential to address issues like poverty, inequality, and climate change. However, progress is needed to fully integrate CSR practices with broader development goals and ensure strategic approaches that can effectively match business objectives with sustainable development.

At the midway point to the SDGs' 2030 target, *Exploring the Interlinkages Between Corporate Social Responsibility and the Sustainable Development Goals* examines how recent changes in CSR can address broader societal challenges, drawing from insightful cases from India. Key themes include an assessment of India's legislative mandate on CSR, the need for stronger integration of voluntary CSR efforts with legal frameworks, and the importance of localizing the SDGs and involving civil society organizations to ensure the needs of vulnerable populations are met.

The discussions call for a rethinking of corporate roles in society, urging businesses to adopt long-term perspectives that prioritize sustainability over short-term profits. The book's interdisciplinary approach makes it a valuable resource for policy makers, businesses, scholars, and practitioners.

Shikha Manchanda is a consultant at Outlier Analytica Private Limited, India.

Dil B. Rahut is vice-chair of research and a senior research fellow at the Asian Development Bank Institute.

Tetsushi Sonobe is dean and CEO of the Asian Development Bank Institute.

About the Asian Development Bank Institute

ADB I is the Tokyo-based think tank of the Asian Development Bank. It provides demand-driven policy research, capacity building and training, and outreach to help developing countries in Asia and the Pacific practically address sustainability challenges, accelerate socioeconomic change, and realize more robust, inclusive, and sustainable growth.

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ASIAN DEVELOPMENT BANK INSTITUTE

3-2-5, Kasumigaseki, Chiyoda-ku

Tokyo, 100-6008, Japan

Tel +813 3593 5500

www.adbi.org