Beyond the Two Percent: Rethinking CSR and Sustainability in Chhattisgarh and Odisha

***Ashna Siddiqui*[1]**
***Dr. Shouvik Kumar Guha*[2]**

Abstract

Sustainability and Corporate Social Responsibility (CSR) in the last decade has taken the central position of business governance, particularly in India, that has mandated CSR through a legislative provision. CSR in India has primarily been philanthropic in nature, but its shift towards statutory mandate via Section 135 of the Companies Act 2013 has expanded the scope and compelled the companies to implement and report initiatives that they take towards the development of the society. The paper aims to observe the intersection between sustainability and CSR within India's regulatory and legal framework. It studies the theoretical foundation of CSR, including legitimacy and stakeholder theories to evaluate the extent of the CSR projects contribution to sustainable outcomes. Corporate spending did see improvement because of mandatory two percent of average net profit being spent as CSR fund but continues to lack transparency, even in the presence of framework like Business Responsibility and Sustainability Reporting, CSR has continued to remain merely compliance driven, mostly activities with disproportionate spending and insignificant focus on environment sustainability. The study also aims to highlight the disparity in region wise allocation of CSR funds that keeps environmentally vulnerable states like Chhattisgarh & Odisha at abeyance from receiving the CSR funds. The paper suggests meaningful sustainability reforms consisting of diversified spending of CSR funds, effective impact assessment and deeper integration of CSR and ESG for sustainable development trajectory to be achieved by India.

Keywords: *Corporate Social Responsibility, Sustainability, Business Responsibility and Sustainability Reporting, Companies Act 2013.*

---

[1] PhD Scholar, WBNUJS Kolkata and Faculty, Birla Global University, Bhubaneswar, India.
[2] Associate Professor, WBNUJS, Kolkata, India.

I. Introduction

Sustainability and social responsibility go intertwined as concepts for the greater good. Sustainability and the social responsibility of the corporates have slowly become crucial for business governance globally. Corporate's face strict regulatory requirements to contribute to the development of the society. They are seen as a major stakeholder in achieving the idea of development that is sustainable in nature. Corporate Social Responsibility (CSR) originally rooted in the idea of philanthropy has over the decades evolved as a mechanism via which the corporates engage with the challenges faced by the society. Sustainability, on the other hand, suggests a framework that is a strategic, long-term aim to balance environmental needs, social welfare along with economic development. The discussion around sustainability and CSR in a developing country like India is compelling even more as India continues to remain the only country to have a legislative provision mandating CSR, in the world.

Section 135 of the Companies Act 2013 [3]introduces the moment that transformed the corporate governance in India. The mandatory requirement to spend 2% of their average net profit on activities listed in Schedule VII of the Companies Act 2013[4], made the companies dive deeper into their idea of responsibility towards society. The statutory provision compelled companies to formulate CSR policies[5], undertake activities and highlight them as part of their annual report. A decade of that statutory shift has witnessed many investments by the corporates in education, health, rural infrastructure, environmental initiatives, etc. However, these investments are often questioned about their alignment with sustainability as a priority.

Sustainability seeks a shift in how these corporations function, it highlights carbon neutrality, efficiency of the resources, partnerships within community and long-term value creation. As much as CSR as a statutory provision in India is celebrated it also highlights the dire need of corporates focusing on sustainability driven projects rather than their visibility driven projects. CSR as

[3] Companies Act 2013, s 135.

[4] Companies Act 2013, sch VII.

[5] Companies Act 2013, s 135(3)(a).

a mandatory exercise has become more like a compliance requirement than a transformative tool.

The analysis relating to the relationship between sustainability and CSR within the Indian legal context helps in examining the legal frameworks and the challenges that persist. It is important to assess whether CSR has helped in promoting sustainability or the lack of sustainability driven projects shake the idea of why CSR was brought in the first place.

The paper aims to address the most important research question that whether India’s mandatory framework relating to CSR incentivises compliance oriented approach or promotes true sustainability integration. The paper examines the structural features of the CSR framework by applying theories and using a doctrinal and policy-analytical methodology. Secondary data relating to CSR spending between the years 2021 to 2023 is analysed to evaluate CSR spending pattern by companies in some mining rich states in India.

II. Evolution and Theoretical Foundations of CSR

CSR in the entire world is seen as a voluntary or mandated practices by the business where they contribute towards the welfare of the society while doing their business. Carroll’s 4 tier model[6] is one of the early conceptualisation of CSR. It establishes the responsibility linkage across economic, legal, ethical and philanthropic responsibilities. India, the country where it has been made a mandatory provision for profit earning businesses, always leaned heavily towards the philanthropic responsibility. Company like Tata[7] have always supported causes like setting up hospitals, schools and doing welfare programs even before the existence of Section 135 of Companies Act 2013.

The theoretical analysis of CSR would lead to its dependence on Stakeholder theory[8], which highlights and reiterates that the businesses are not responsible only to their shareholders, but to all the parties affected by its operations that

[6] Archie B Carroll, ‘The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders’ (1991) 34 *Business Horizons* 39.
[7] Tata Group, ‘History of Philanthropy’ (Tata Sons) https://www.tata.com accessed 20 November 2025.
[8] R Edward Freeman, *Strategic Management: A Stakeholder Approach* (Pitman 1984).

could include from its own employees to the communities and government at large. Another crucial theory is the Legitimacy theory[9] that suggests that the companies engaging in CSR need the approval of the society and require a license to operate by the society, particularly in those industries where environmental impacts and social issues are significant. Industries like mining and infrastructure to name a few definitely take more from the society, then they are ever able to give back and hence CSR could play a proactive role in ensuring that these industries return to the society for the damage that they cause.

CSR encompasses a spectrum of responsibilities, in India, Schedule VII of the Companies Act 2013 list down many activities starting from education to poverty eradication to rural development, and if not anything else, then the ability to transfer the companies CSR funds to a state recognised fund.[10] There is a plethora of opportunities for the corporates to align their activities with sustainability.

III. Sustainability and Need for Corporate Alignment

Sustainability finds its origin in the Brundtland commission,[11] which talks about the idea of sustainable development. Any development could only be a wholesome development if the future generations' right to resources are also protected. The idea of sustainability rests on three crucial aspects: Social sustainability, Economic sustainability, and Environmental sustainability. Compared to CSR, sustainability is mostly long-term and integrated in the strategies undertaken by the corporate. Environmental sustainability highlights the responsible usage of natural resources, conservation of biodiversity, reducing ecological footprints, and mitigating climate change. Social sustainability on the other hand highlights the need to access to resources, labour standards, and protection of human rights. And economic sustainability primarily concerns profitability, ethical market, conduct, and resilience.

[9] Mark Suchman, 'Managing Legitimacy: Strategic and Institutional Approaches' (1995) 20 *Academy of Management Review* 571.

[10] Companies Act 2013, sch VII, cl (viii).

[11] Brundtland Commission, *Our Common Future* (Oxford University Press 1987).

It is pertinent to note that CSR and sustainability may intersect, but they are not synonymous to each other. Sustainability is a long-term vision of the corporates while CSR could just be a practice oriented mechanism. Sustainability requires immense change in consumption of resources, management of waste or engagement with stakeholders, whereas CSR mostly includes community based initiatives. CSR could be a fantastic tool to achieve the sustainability the country desires. If a company invests their CSR fund in a project concerning renewable energy, it will impact the environment much more than a company just donating a few solar lamps as part of their CSR activities.

CSR in India has always existed as a concept and so has the concept of Daan and Zakat always existed in India.[12] Some of the rich businessmen would always do charity and welfare out of their free will, however, the true philanthropic & ethical phase of it began when the corporate started abiding by Gandhian principles of moral responsibility.

Post 2013, the idea of CSR has become regulated by law and the recent amendment to it makes the company answerable for their CSR expenditure and an impact assessment has also been floated. Over the last few years, the companies have integrated the idea of CSR with that of ESG that is environmental, social and governance metrics[13]. The eligible companies now have CSR committees[14] which formulate CSR policies [15]and prepare CSR reports[16] to file it with their annual reports.[17] It is mandatory for the companies to highlight the CSR activities that they have undertaken during the financial year.

CSR somewhere helps in improving profitability for the corporate as it helps in building the trust of the consumer, gain the confidence of the investor and

---

[12] Rajesh Gupta, 'Religious Philanthropy in India: Traditions of Giving among Hindus and Muslims' (2012) 47(2) Economic and Political Weekly 62.

[13] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 34(2)(f)

[14] Companies Act 2013, s 135(3).

[15] Companies Act 2013, s 135(3)(a).

[16] Companies Act 2013, s 135(4)(a).

[17] Companies Act 2013, s 134(3)(o).

eventually enhances the value of the brand. Others suggest that mandatory spending of CSR funds may have repercussions of no financial return for the corporates. India, as a country which has mandated that provision, witnesses little to no improved sustainability outcome, but only positive reputation building of the corporates, as a result of their introduction of CSR provision.

It is important to highlight the transformation that has occurred in the behaviour of the corporate because of the CSR provision. There has been a significant increase in the fund allotted to CSR. There is better documentation and the boards are more involved as some of them are part of the CSR committee. However, none of this could materialise into a sustainable driven approach and has just been reduced to a compliance driven approach where all the companies do spend 2% requirement[18] and not focus on having a long-term impact by their projects. The CSR planning misses the most crucial part that is community participation and therefore the results are mismatched. Meaning the corporate interventions do not see any practical results in the welfare of the society.

The reporting framework has been strengthened now to a certain extent as there is evolution since the Business Responsibility Report[19], to the National Guideline for Responsible Business Conduct[20] and recently the Business Responsibility and Sustainability Reporting[21] has come into play. There is a lot of improvement that has taken place with regard to accountability and transparency, but still the concerns remain about the lack of independent verification, selective disclosure, and inconsistent sustainability metrics.

---

[18] Companies Act 2013, s 135(5).

[19] Securities and Exchange Board of India, 'Business Responsibility Reports: Guidelines for Preparation of BRR by Listed Entities' (Circular No CIR/CFD/DIL/8/2012, 13 August 2012).

[20] Ministry of Corporate Affairs, 'National Guidelines for Responsible Business Conduct' (2019).

[21] SEBI, 'Business Responsibility and Sustainability Reporting by Listed Entities' (Circular No SEBI/HO/CFD/CMD-2/P/CIR/2021/562, 10 May 2021).

IV. Sustainability Deficit in CSR Spending by Companies in Chhattisgarh and Odisha

CSR projects mostly focus on health and education, and they have delivered some results in the community. However, what remains a massive challenge is the short-term goals of these project and lack of maintenance thereafter. In tribal areas, the participation of the community remains absolutely low and therefore the structural inequality does not get addressed. Companies like mining do prioritise community development, but their environmental projects are not enough to compensate for the damage that they have been doing to the environment. Companies like IT do focus on the new age concept of digital literacy and education.[22] However, their life changing results are not really high. The sectors who have high carbon footprint, they lack stronger sustainability integration into their CSR activities and remain inconsistent with their projects relating to CSR.

One of the major gaps is that not enough study has been done to measure the sustainability outcomes of the CSR activities undertaken by the company. The focus of CSR has primarily been on urban areas and not backward regions of the country. The impact assessment being done by the corporates lack accountability, and transparency and therefore, very less sustainable impact has been made by these activities

Section 135 of the Companies Act 2013 mandates CSR spending by companies who meet the threshold requirement of their net worth, turnover or net profit to spend 2% of average net profit on CSR and constitute a committee with a minimum of independent director to be called CSR committee which shall formulate CSR policies and if required, take help of implementation agencies for the activities that they shall take every year. The committee is also required to prepare report on the CSR activities that shall be part of the annual report and most cases be displayed on the website of the companies. Non-compliance to these shall result in consequences, earlier it could have had consequences

[22] SAHAYI Centre for Collective Learning and Action, 'IT-Enable CSR Innovations in Education in India' (CSR Study Publications) https://www.sahayicentre.org/csr-study-publications/it-in-csr-education accessed 20 November 2025.

which could have resulted in imprisonment, but the later amendment[23] has restricted it to only financial penalties as that of fines.

The concept of CSR ever since it has come into existence along with the CSR rules[24] have been regularly modified and amended to make it holistic in its nature. In the year 2021, the amendment made mandatory impact assessment for large CSR projects, and introduces penalty for non utilisation of the CSR fund by the companies. The companies cannot keep the fund unattended. They have to utilise the same, and if they're unable to spend the CSR funds, they are required to transfer those unspent CSR funds to government funds. These crucial changes are brought in to shift the idea of CSR from a compliance driven exercise to outcome driven approach that has sustainability as its central point. Schedule VII of the Companies Act 2013 highlights all the CSR activities that are permitted and it includes:

"*Activities which may be included by companies in their Corporate Social Responsibility Policies Activities relating to:— 1 [(i) eradicating hunger, poverty and malnutrition, 2[promoting health care including preventive health] and sanitation 3[Including contribution to the Swatch Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water; (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects; (ii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups; (iv) 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 4 [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga]; (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public*

[23] Ministry of Corporate Affairs, 'Companies (Corporate Social Responsibility Policy) Amendment Rules 2021' (Notification G.S.R. 40(E), 22 January 2021).

[24] Companies (Corporate Social Responsibility Policy) Rules 2014.

libraries; promotion and development of traditional arts and handicrafts; (vi) measures for the benefit of armed forces veterans, war widows and their dependents; (vii) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports; (viii) contribution to the Prime Minister's National Relief Fund 5[or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)] or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; 6[(ix)(a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); 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 Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (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 Sustainable Development Goals (SDGs)] (x) rural development projects.] 7[(xi) slum are development. Explanation.— For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.] 1[(xii) disaster management, including relief, rehabilitation and reconstruction activities.]"[25]

The Schedule highlights almost all the activities, however, the companies do not proportionally invest money in these activities rather one or two activities like education and health get most of the CSR fund of most of the companies

[25] Companies Act 2013, sch VII.

and an important activity like environmental sustainability receives relatively less investment.

Business Responsibility and Sustainability Reporting that's now mandatory for the top 1000 listed companies in India[26] reiterates a shift in reporting for the corporates in India. It now makes it mandatory for the companies to disclose their data relating to labour conditions, community engagement, greenhouse gas emission, and CSR spending. This makes it an integrated system of CSR and the ESG framework. Still the challenges persist relating to consistency, verification, and standardisation of the data relating to sustainability. Indeed, it is a welcoming initiative that shall strengthen the reporting framework in India, however, proper check and balance has to be ensured.

The mandatory provision of CSR has definitely led to an increase in corporate spending more for the society. There are many companies which have come forward and have spent in creative and thoughtful CSR projects. However, a significant portion of these companies cluster their spending around rural development, education and health only as much as these important areas are relevant for the benefit of the society. It also takes away the chance for long-term sustainable initiatives like restoration of the environment or projects which could help positively in betterment of climate. Another important issue is the CSR funds are not distributed, proportionally or equally in all the states of India. In 2023, Maharashtra, Karnataka, & Gujarat[27] remain among the top few states to receive an overwhelming share of CSR funds by the companies while crucial states like Jharkhand, Chhattisgarh, and Odisha who are mining rich and have witnessed depletion of resources and had affect in the health of their population because of these mining activities remain under funded.[28]

[26]SEBI, 'Business Responsibility and Sustainability Reporting by Listed Entities' (Circular No SEBI/HO/CFD/CMD-2/P/CIR/2021/562, 10 May 2021).

[27] Ministry of Corporate Affairs, Corporate Data Management Cell, 'State-wise CSR Funds Received' https://www.mcacdm.nic.in/state_wise.php accessed 20 November 2025.

[28] Ibid.

Analysis of CSR fund spent in Chhattisgarh between 2021 and 2023

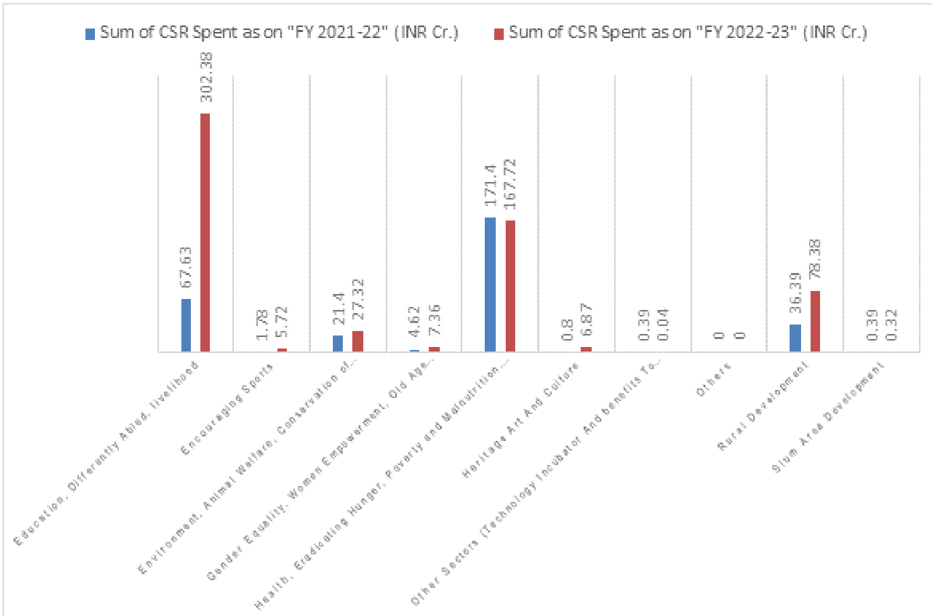

Fig 1.1

Source: csr.gov.in

It is evident from figure 1.1 that a mining rich state of Chhattisgarh receives major fund for education, rural development and health sector, keeping environment as not the top most priority. Environmental degradation by mining companies cannot be compensated by spending their CSR funds anywhere else but for restoration of the environment. Solutions for the displacement of the indigenous population and harm to climate, needs to be the first priority of these companies.

Analysis of CSR fund spent in Odisha between 2021 and 2023

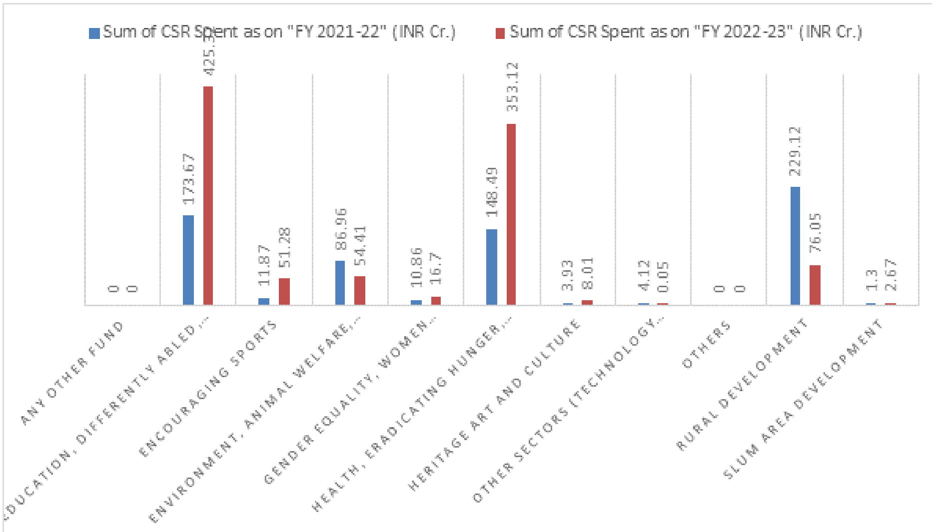

Fig 1.2

Source: csr.gov.in

Odisha, one of the major mining state in India receives significant funds from companies for activities like rural development, health and education but sees little to no hope for environmental restoration. NALCO, one of the most important PSUs has been criticized and questioned for its climate risk management and ensuring the health of the locals. Most of the CSR funds of these mining companies under environment category are spent in plantation drives, that largely remain a one-time activity than any sustainable environmental upgradation activity.

Out of the three sustainability that exists, environmental sustainability in the above states receives a small portion of the total CSR expenditure by the companies. Activities like plantation drives, cleanliness campaigns are just short-term and successful activities in brand building of the companies, but true sustainability requires much more than that.

The companies need to have CSR projects that focus on structural reforms. For example, Projects Related To Reduction In Carbon Emission Or Transition To Renewable Energy Or responsible sourcing of materials used by these companies. These interventions fall beyond the traditional idea of CSR and the projects associated with CSR. Therefore, CSR contributes very insignificantly to environmental sustainability and most of the responsibility relating to the environment is shouldered via environmental laws or a voluntary ESG commitment.

It is noteworthy that some companies try to report their CSR activities in alignment of Sustainable Development Goals, 2030[29] while doing so they primarily again highlight only health and education as Sustainable Development Goal 3[30], Sustainable Development Goal 4[31] and these alignments are also purely symbolic and has very less sustainable outcome that can be actually measured. The challenge in effective CSR implementation is primarily because of the compliance driven approach. The companies need to come out of the cocoon of checking the boxes and have significant thoughtful projects that aligns with the Sustainable Development Goals 2030.

V. Conclusion and Suggestions

CSR has indeed come a long way from a very philanthropic work to a mandatory provision, but companies are yet to come out of that charity based mindset. There could be no sustainable development if the environmental needs are not taken into consideration and are not provided adequate funding. CSR reporting has seen a significant shift in disclosure frameworks, but the transparency issue remains. Assessment of the impact of the CSR activities remains one of the weakest exercises in the CSR framework, independent agencies conducting these assessments fail in highlighting the ground reality of these CSR projects. There is no linkage between CSR and sustainability, and all three aspects of sustainability remain underdeveloped in many sectors and

---

[29] United Nations General Assembly, Transforming our world: the 2030 Agenda for Sustainable Development (Resolution A/RES/70/1, 25 September 2015).

[30] United Nations, Sustainable Development Goal 3: Ensure healthy lives and promote well-being for all at all ages (UN, 2023) https://sdgs.un.org/goals/goal3 accessed 20 November 2025.

[31] United Nations, Sustainable Development Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (UN, 2023) https://sdgs.un.org/goals/goal4 accessed 20 November 2025.

industries across the country. One of the most highlighted issues is the preference of few regions over the others in allocation of CSR funds that takes away the environmental sustainability factor from those states which are mining rich and need rehabilitation. There are very few companies that exhibit strong CSR and ESG integration and India needs many more companies to come forward and adhere to that integrated framework, otherwise it would just remain a country with mandatory CSR provision with no positive result yields. Sustainability requires long-term corporate strategy to bring in change in their waste management resource, use energy consumption and most of all stakeholder engagement. CSR and sustainability can together make corporates move from project based charity to impact driven sustainability interventions. Additionally, the companies must forget that they're doing any charity as these resources belong to each of the members of the society. And hence a shift in their mindset is required for long-term sustainability to be achieved. The assessment is conducted on the basis of output and not outcomes and that needs to change. The companies do not want to waste time in coming up with creative and thoughtful CSR projects and often copy paste the government project which leads to duplication and redundancy. It is important for industries to understand the waste that they are discharging in the society and work their CSR projects around them to give back to the society accordingly. The Business Responsibility and Sustainability Reporting framework does exist, but it lacks verification and transparency.

The suggestion is the need for amendment in the Schedule VII of the Companies Act 2013 that must make it mandatory for the companies to spend their funds across the activities and not rely heavily on one or two of those activities only. It also suggests the need of a policy shift where an outcome based CSR metrics must be introduced. Apart from the sectoral discrepancy, the regional discrepancy and imbalance also needs to be highlighted where the CSR funds must not specifically focus on one or two states of the country only but focus on states like Chhattisgarh & Odisha which are mining rich and that need sustainability, especially environmental sustainability, more than others. It is also suggested that the impact assessment agencies are monitored and strengthened for assessment of CSR projects. The companies must also club sustainability strategy into their CSR projects and enhance the participation of the community in their planning of CSR activities. Short-term projects which gets them, brand buildings need to take a backseat as the priority must be given to long-term CSR projects which are regularly assessed by an independent third party.

It's been a decade of CSR coming into action and India which has led its way in making CSR a mandatory provision stands at a juncture which could lead it to become even stronger only if sustainability framework is integrated and adhered positively, especially by companies that affect environment the most.