
THE CSR DILEMMA: ILLUSION OF RESPONSIBILITY OR ROADMAP TO INCLUSIVE GROWTH?

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ABSTRACT

As global socio-economic inequalities increase and are at an all-time high, Corporate Social Responsibility (CSR) has emerged as a legal and ethical tool which can be potentially used to implement inclusive growth among the masses who are ostracized, ignored and looked down upon since time immemorial. While giving back to the society a part of which the company has earned through their hard work and grit has been a voluntary choice for long, CSR is increasingly being integrated into national legal systems, most notable examples of which are India under section 135 of the Companies Act, 2013, France's Duty of Vigilance Law and Germany's Supply Chain Due Diligence Act among others holding big companies accountable for their social and environmental contributions. What this paper lay emphasis on is to critically examine CSR's evolution from a moral obligation to a legal mandate and explore its effectiveness and efficiency in tackling and reducing structural and social inequalities across various jurisdictions.

This research focuses on frameworks such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the mandates which are aligned with Sustainability Development Goals (SDG's) along with that shedding light on an important question i.e. 'whether or not CSR laws have moved past performative compliance to generate transformative change'. It further talks about how these CSR initiatives can either increase or decrease the current power imbalance that exists in the society, depending on how they are designed and more importantly how they are implemented. In many countries, CSR tends to focus on mere surface level philanthropy without addressing the deeper issues like caste, class, and income-based exclusion. In sharp contrast to this if we look at the more progressive CSR models which are guided by the spirit of inclusivity which have started to take shape in advanced economies, reflecting a positive shift towards long term and community-based engagement. This paper also covers how the evils of the society like poverty and discrimination that have been common in the society since a very long time can be effectively tackled through targeted CSR practices aiming towards health, education and local entrepreneurship, especially when directed with the help of data, transparency, and other participatory frameworks.

Keywords: Corporate Social Responsibility (CSR), Legal Mandate, UN Guiding Principles, OECD Guidelines, Philanthropy, Inclusivity.

INTRODUCTION

“What corporations do to society is far more important than what corporations can do for society” - Peter Drucker

Socio-economic inequalities all over the world has reached new levels that have not been seen in the past, with present-day data showing a world that is deeply fragmented where opportunities remain extremely divided on the lines of wealth, geography, caste, class, and many other factors. As per the World Social Report 2025, almost two-thirds of the world's population stay in countries where the income inequality is expanding at an all-time high rate, while 60 percent of the world's population are struggling and 12 percent are suffering despite remarkable social and economic progress shown in the past three decades.¹ The World Inequality Database shows that the richest 1 percent pocketed 20.6 percent of global income in 2020, up 2.8 percentage points since 1980, while today almost 700 million people (8.5 percent of the global population) live in extreme poverty on less than \$2.15 per day.²

The ever-growing inequality crises has altered the way people view corporate social responsibility. While on one hand markets have created a lot of wealth, they have also unfortunately deepened the unfair gaps that push marginalised groups whether by caste, class, gender or location even further behind in the pecking order. People now realise that businesses are not only a big part of the problem but can also be a part of the solution, leading towards a shift in how we view and think about the role and responsibility of companies

In this context, Corporate Social Responsibility (CSR) has turned up as a critical mechanism through which corporations can address the systematic inequalities which have plagued the society for long and contribute to inclusive growth. No longer is Corporate Social Responsibility (CSR) viewed merely as a philanthropic gesture or a public relations exercise carried out to build strong consumer base, CSR initiatives are increasingly acknowledged as

¹ United Nations, Dep't of Econ. & Soc. Aff., *6 Takeaways from the World Social Report 2025*, (May 5, 2025), <https://www.un.org/en/desa/6-takeaways-world-social-report-2025>.

² WORLD BANK GRP., *Poverty, Prosperity, and Planet Report 2024: Pathways Out of the Polycrisis* (2024), <https://www.worldbank.org/en/publication/poverty-prosperity-and-planet>.

essential tools for fighting the root cause of social as well as economic exclusion that has persisted over generations and transitioning from compliance to a catalyst for real change.³

Research Objectives

1. To study and trace the evolution of CSR from a voluntary moral choice of the corporations to a legal mandate across various jurisdictions.
2. To evaluate the success of CSR laws and frameworks like UNGPs, OECD, SDGs in effectively dealing with social as well as economic imbalances.
3. To examine whether CSR has moved past performative compliance to driving real transformative change.
4. To analyse how CSR initiatives power imbalances like caste, class, gender etc.

ADVANCEMENT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

The advancement of Corporate Social Responsibility (CSR) from something that was done by companies and business entirely of their free will as an ethical practice to a practice which is now an obligation mandated by law is one of the biggest developments in the sphere of corporate governance observed in the 21st century. Conventionally, CSR was looked upon as an act that was carried out of a corporations own goodwill as well as kindness, where these corporations on their own voluntarily provided for the upkeep and well-being of the society via efforts which included the likes of philanthropy, charitable donations, or initiatives aimed towards community development. While these efforts were very appreciable and more often than not brought local benefits, they remained fairly inconsistent, fragmented and not sufficient in actually dealing with the scale of global problems like rising inequalities in the society among various communities, change in climate, degradation of environment, and human rights violation and more and thus failed in resulting in any kind of impact at a big scale. The realisation that voluntary commitments on their own fail to deliver any kind of large scale impact made the governments and international bodies to embed CSR within binding frameworks that have legal backing. By making CSR a legal mandate, as seen in India's Companies Act, 2013, France's Duty of Vigilance Law, and Germany's Supply Chain Due

³Srikrishna Sridhar Murthy, *CSR: Compliance to Catalyst for Change*, NDTV (Nov. 5, 2024), <https://www.ndtv.com/opinion/csr-compliance-to-catalyst-for-change-6948920>.

Diligence Act among many others states have sought to hold corporations accountable not just for the sake of profit making but also for their social and economic impacts. This change reflects a very positive growing consensus that businesses, given the resources they have at their disposal, their influence, and their reach, must play an active and meaningful role in addressing structural inequalities and contributing meaningfully to holistic, inclusive and sustainable development.

LEGAL FRAMEWORKS OF CSR ACROSS DIFFERENT JURISDICTIONS

The brilliant initiative taken by India i.e. the introduction of section 135 of the Companies Act, 2013 was a major moment in the overall evolution of Corporate Social Responsibility (CSR), this statute made India the very first nation worldwide to legally mandate CSR spending.⁴ As per this legislation, those companies who are meeting certain specific financial thresholds i.e. having a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more must allocate at least 2% of their average net profits from the past three years toward CSR activities.⁵ This mandatory framework fundamentally changed the whole of the corporate landscape, transforming CSR from an optional activity to an obligation which had the backing of the law that too with measurable targets and mechanisms to keep these corporations accountable.

In a similar vein, France's Duty of Vigilance Law which was enacted in the year of 2017, introduced something similar in the European nation. This law requires large French corporations with greater than 5,000 employees domestically or 10,000 employees worldwide to establish and implement vigilance plans and protocols with the aim of preventing violation of human rights and harm to the environment resulting from their own activities, its subsidiaries, and its established subcontractors and also suppliers.

These measures should inculcate activities like risk mapping, taking specific actions to reduce or prevent impacts, a reporting mechanism, and a process in place to track the effectiveness of these plans.⁶

⁴KASHIYA ASS'N, *Corporate Social Responsibility: A Legal Mandate and a Catalyst for Change*, LinkedIn (Dec. 7, 2024), <https://www.linkedin.com/pulse/corporate-social-responsibility-legal-mandate-india-association-5otjc/>.

⁵D. A. Gautam, D. A. Sarkar & D. R. V. Singh, *Corporate Social Responsibility: A Legal Perspective W.R.T Sec 135*, 2 J. Marketing & Soc. Rsch. 159, 159–63 (2025)..

⁶Bus. & Hum. Rts. Res. Ctr., *France's Duty of Vigilance Law* (Mar. 16, 2021), <https://www.business-humanrights.org/en/big-issues/corporate-legal-accountability/frances-duty-of-vigilance-law/>.

Germany which is another European nation introduced the Supply Chain Due Diligence Act (SCDDA) which came to effect from the year of 2023, again exemplifies this worldwide trend by mandating corporations with 3,000 or more employees (and from 2024 this number of employees came down to 1,000 or more) to implement and undertake extensive due diligence obligations all over their supply chains. This imposed exhaustive requirements for risk management systems, preventive measures, complaint procedures, and reporting at regular intervals, with violations subject to fines reaching up to 8 million euros or 2% of the annual global turnover of the companies.⁷

These legal frameworks of India, France, and Germany demonstrate a global shift from voluntary CSR initiatives to obligations binding by the statute that demand accountability, transparency, and impact that is measurable. While these models may differ in scope and mechanism, they collectively display how the very concept of CSR is being transformed and reimagined as a lawful tool to tackle social, environmental and cultural challenges and disparities and bring about a positive change by more and more countries all over the world

GLOBAL FRAMEWORKS GUIDING CSR

There are frameworks available at a global level which play a very crucial role in moulding responsible business conduct by setting up universally accepted standards that transcend the national boundaries. These frameworks provide companies with the structured guidance on how to respect human rights, protect the environment, and contribute towards sustainable development, making sure that corporate actions are not limited to mere profit-making but are also at the same time socially and ethically accountable. The following are some of the Global Frameworks that guide CSR practices world-wide.

United Nations Guiding Principles on Business and Human Rights

Promoted by the United Nations in 2011, these principles depend on three main pillars: the State's duty to protect human rights, the corporate responsibility to respect human rights, and the need for access to remedy for victims of abuses which are related to business. The UNGP's escort businesses to steer clear of infringement of human rights and address the poor impact that is linked to their operations, regardless of the location. While these are not binding legally,

⁷ IBM Envizi, *German Supply Chain Due Diligence Act (SCDDA) Explained*, IBM Think (Oct. 26, 2022), <https://www.ibm.com/think/topics/scdda>.

they are reliable global standards for business and the conduct of human rights..⁸

OECD Guidelines and International Standards

The Organisation for Economic Co-operation and Development (OECD) Guidelines provide voluntary recommendations on responsible business conduct across areas covering numerous topics and domains like human rights, labour, environment, and anti-corruption. Assisted by the local governments, these guidelines motivate corporations to practice due diligence and embrace ethical behaviour in their universal operations. National Contact Points help in dispute resolution and ensure adherence.⁹

Alignment with Sustainable Development Goals (SDGs)

The 17 SDGs lay down different global agenda's like to end poverty, protect the environment, promote well-being among many others by the year of 2030. CSR initiatives aligned with SDGs focus on strategic, transparent investments in issues such as education, health, gender equality, and climate action. This alignment between the SDGs and CSR practices advances CSR from mere philanthropy to a key driver of sustainable development.¹⁰

Together, these frameworks guide companies from all over the world to integrate ethical, social and environmental responsibilities into their core operations playing a crucial role in tackling social and economic inequalities.

CSR AND SOCIAL INEQUALITIES

Corporate Social Responsibility (CSR) has the potential to successfully tackle deep-rooted social inequalities that have plagued the society for long like caste, class, gender, and income exclusion, but meaningful impact is contingent on moving beyond surface level philanthropy to transformative models focused on communities.

⁸ G.A. Res. 17/4, Annex, Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework, U.N. Doc. A/HRC/17/31 (June 16, 2011).

⁹ CSR in Deutschland, International Frameworks: Guides for Global Business, <https://www.csr-in-deutschland.de/EN/CSR/Background/International-Frameworks/international-frameworks-article.html> (Sept. 21, 2025)

¹⁰ *How Do CSR Initiatives Align With the United Nations Sustainable Development Goals (SDGs)?*, FUNDSFORNGOS, <https://www.fundsforngos.org/all-questions-answered/how-do-csr-initiatives-align-with-the-united-nations-sustainable-development-goals-sdgs/> (Sept. 21, 2025).

Addressing Caste, Class, Gender, and Income Exclusion

Across numerous societies including that of India social exclusion is based upon the lines of caste, class, gender, and income lines. While mandated CSR frameworks which are legally backed require companies to invest in the welfare of communities, research shows that such initiatives often fail in directly targeting marginalised groups like Dalits, women and the poor.¹¹ Numerous CSR programs remain “caste-blind,” designed generically for the “poor” without acknowledging and keeping in mind the historical and structural disadvantages. This approach limits the effectiveness of these CSR initiatives, as real empowerment requires tailored interventions specifically made for communities and actively involving those communities in planning and execution.

Philanthropy vs. Transformative Models of CSR

Traditional CSR practices often tend to mirror philanthropy, companies donate money or aid charitable causes, sometimes treating CSR as an exercise they have to comply with rather than a strategic tool for bringing about tangible social change. While these activities offer short-term relief, transformative models aim for systematic changes such as improving access to education, healthcare, and skill development, or promoting diversity and inclusion that can bring about sustainable upwards mobility for marginalised groups. Strategic CSR thus emphasise on authentic partnership, driving outcomes that are measurable and long-term community benefits.

Redistribution of Power through Inclusive Engagement

There are many approaches to CSR that can be followed but, the most progressive approaches to CSR always focus on inclusive engagement, actively distributing real decision-making power to historically marginalised groups. Strengthening communities and participatory governance are key: rather than imposing solutions forcefully, corporations focus on continuous dialogue, partnership, and capacity-building among stakeholders.¹² Inclusive CSR requires companies to transfer resources, invest in leadership development within these

¹¹ *Effectiveness of CSR (Corporate Social Responsibility) in Addressing Social Inequality in India*, LAWFUL LEGAL, <https://lawfullegal.in/effectiveness-of-csr-corporate-social-responsibility-in-addressing-social-inequality-in-india/> (Sept. 21, 2025)

¹² Hassan N. Saleheen & Kenneth A. Barela, *Community Power Model: Pathway to Equity*, 3 J. Nat'l Hisp. Med. Ass'n 83 (2025).

marginalised communities, and design interventions that strengthen community voices in decision-making process.

In sum, CSR can combat social inequalities only when it is designed as a tool for transformation addressing issues like structural exclusion and integrating sustainable strategies via genuine engagement and shared decision-making.

EFFECTIVENESS AND EFFICIENCY OF CSR

Effectiveness and efficiency of CSR lie in its ability to bring about real societal impact while ensuring optimal and efficient use of the limited resources. Truly effective CSR goes beyond mere symbolic gestures, producing measurable improvements in community welfare, sustainability and inclusivity.

Moving Beyond Performative Compliance, and Critiques

Numerous CSR initiatives have evolved from mere reputation management activities to initiatives making measurable social impact. For example, the Tata Groups “Tata Strive” project which partners with rural communities to provide skill training to the marginalised and unprivileged youth, which has resulted in more than 50,000 beneficiaries and improved many

livelihoods aligning with SDG 8: Decent Work and Economic Growth.¹³ Similarly, Mahindra’s “Project Nanhi Kali” has enabled more than 5,00,000 underprivileged girls across 15 states of India to access quality education, showing tangible improvement in school retention and learning outcomes with a target to educate 10,00,000 girls by the year 2026.¹⁴ These projects highlight the numerous possibilities when CSR programs shift from philanthropy and compliance to strategic, result-oriented social investments.

However, some initiatives struggle in making a measurable real impact. A study of Indian CSR found that while over a staggering ₹30,000 crores are spent annually on CSR initiatives by various corporations, the short timelines, lack of independent evaluation, and project discontinuity often hinder sustained results highlighting the need for better monitoring and

¹³ Kadiri Raghu Vamsi, *Top CSR Initiatives in India: A Leading Example*, LinkedIn (May 6, 2025), <https://www.linkedin.com/pulse/top-csr-initiatives-india-leading-example-kadiri-raghu-vamsi-onpbc/>.

¹⁴ *Top 10 CSR Projects Leaving an Impact in India and the World*, THE CSR JOURNAL, (July 15, 2024), <https://thecsrjournal.in/top-csr-projects-impact-india-world/>.

effective frameworks to assess impacts of these initiatives.¹⁵

Data, Transparency, and Community Participation

Transparent reporting and involving local stakeholders increase the credibility and effectiveness of CSR. Infosys, for example, openly shares its impact metrics which includes student numbers, number of digital labs installed, and scholarship outcomes enabling third-party review and maintaining public accountability.

In collaborative CSR projects, such as Tata Group's partnership with the NGO Goonj and the Maharashtra government's, the "Cloth for Work" model lead to successful mobilisation of communities for local development projects, with the impact of this initiative verified by multiple stakeholders and beneficiaries.

Risks of Superficial CSR, Regulatory Gaps, and Corporate Capture

Superficial CSR is a significant risk as it reduces responsibility to mere box-ticking exercises or publicity campaigns, creating an illusion of real impact without actually addressing real social or environmental issues. Such practices not only squander valuable resources but also undermine public trust and reveal companies to reputational and regulatory backlash. Some companies engage in "window dressing" conducting token projects or inflating impact metrics for reputation sake without taking any kind of meaningful action. Volkswagen's "diesel dupe" case is a global example where misleading environmental claims resulted in a major corporate scandal, exposing the dangers of regulatory loopholes and weak enforcement.¹⁶ In India, mandatory CSR has increased annual funding, but effectiveness of these initiatives is significantly undermined when corporations use tactics like vague reporting, limited community engagement, or short-lived projects to meet formal requirements.¹⁷ Regulatory gaps also allow firms to sidestep accountability and create power imbalances with NGO's and communities.

¹⁵ *CSR: From Mere Compliance to Impact*, DRISHTI IAS (Oct. 25, 2024), <https://www.drishtias.com/daily-updates/daily-news-editorials/csr-from-mere-compliance-to-impact>.

¹⁶ Anya Rasmussen, *Legal Obstacles to Corporate Social Responsibility: Examining Loopholes and Corporate Ethics*, NHSJS (May 11, 2025), <https://nhsjs.com/2025/legal-obstacles-to-corporate-social-responsibility-examining-loopholes-and-corporate-ethics/>.

¹⁷ Eshan Bhardwaj, *Triumphs and Failures of Corporate Social Responsibility in India*, iPleaders (July 25, 2018), <https://blog.ipleaders.in/csr-triumphs-failures/>.

FUTURE OF CSR

The future of CSR is bound to undergo a major evolution, transforming from a peripheral philanthropic activity to an indispensable and unshakable pillar of corporate governance and strategy making in not only India but all over the globe. Traditionally seen as philanthropy or a requirement to comply with, CSR is increasingly being reframed and reimagined as a tool for sustainable value creation that is inclusive of social, environmental, and economic goals. With the ever-growing urgency of global challenges such as climate change, ever widening inequalities, resource depletion, and technological disruption to name of few, corporations will no longer have the convenience of treating CSR as a secondary function. Instead, it will take the front-seat in an ever evolving societal landscape and will become central to how businesses and corporations innovate, operate, and engage with their stakeholders.

Emerging trends in this sphere indicate that Environmental, Social, and Governance (ESG) metrics will become an absolute non-negotiable benchmark, with investors, regulators and the consumers demanding tangible and measurable impact rather than a symbolic gesture for name sake. This major shift will push companies hand to embed responsible practices into the very minutia of their practice undertaking practices like ethical sourcing and carbon neutrality to fair labour practices and inclusive hiring. Moreover, the use of technology such as AI, blockchain, and big data will also shape the next chapter of CSR by warranting greater transparency, real-time impact, inclusive and participatory decision making that will actively involve local communities.

Further, in future CSR will not only be addressing immediate needs but will focus on long-term systematic change by investing in education, healthcare, green infrastructure, and entrepreneurship at the very grassroot level. This will intern further empower the marginalised communities who have been sidelined to become equal partners rather than being passive beneficiaries, thereby reducing structural inequalities which has begun to happen but will only increase in the time to come. As governments firm up regulations and global frameworks like the SDGs, OECD guidelines etc. continue to guide corporate conduct, CSR will continue this transition from being a mere reputational safeguard to becoming a strategic tool for competitiveness, resilience, and legitimacy in the eyes of the society. Ultimately, the future of CSR lies in creating an all inclusive ecosystem where profit, people, and the planet are not competing interests but mutual goals.

CONCLUSION

Corporate Social Responsibility has absolutely evolved into a powerful tool for tackling the pressing challenges like inequality, sustainability, and social justice in the 21st century. From India's pioneering statutory model mandating CSR under the Companies Act, 2013 to Europe's due diligence frameworks, CSR is being recognised as a legal and ethical obligation that binds and mandates corporations to contribute meaningfully to society. Yet, its true promise vests not merely in compliance but in bringing about significant transformative change where initiatives move past token philanthropy to tackling meaningful issues like structural exclusions and empower the marginalised and downtrodden communities through active participatory engagement. Global frameworks such as the UNGPs, OECD Guidelines, and SDGs further provide a unified vision, but the effectiveness of CSR will at the end of the day depend upon transparency, accountability, and the genuine alignment of corporate strategy with the greater good of the society as a whole. As CSR continues to grow and mature, the challenge is to make sure it does not become a mere superficial exercise but a cornerstone of sustainable and inclusive growth and development, striking the right balance between profit and creating an equitable future for one and all.