



An Analysis of Corporate Social Responsibility As A Driver For India's Sustainable Growth Using An Esg Model

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Abstract

Corporate social responsibility has become a crucial element of company strategy, especially in relation to sustainable development. Applying the ESG model as a lens, this research delves into how CSR initiatives have affected India's progress toward sustainable development. The study examines how Indian companies are incorporating corporate social responsibility practices into their inclusiveness by investing the corporate social responsibility fund in environmental causes, promoting social inclusivity, and improving governance standards. This is achieved through an extensive analysis of the literature and empirical data. Moreover, it examines the influence of these corporate social responsibility initiatives on crucial metrics such as financial performance, reputation improvement, and stakeholder involvement. The research seeks to offer insights into the efficacy of corporate social responsibility as a catalyst for India's sustainable development, employing the Environmental, Social, and Governance (ESG) framework. With the help of previously published data, the findings of this research contribute to a better understanding of the relationship between corporate social responsibility (CSR) and the long-term economic development of an Indian context.

Keywords: Government, CSR, ESG model, Performance, Development, Economic.

INTRODUCTION

Corporate social responsibility has developed from a purely charitable project to a global corporate necessity. Social and environmental concerns are closely linked to economic advancement, making corporate social responsibility (CSR) crucial to advancing sustainable development in India. This article uses the ESG model as a framework for analysis in order to investigate the role that CSR initiatives play in propelling India's sustainable progress. India faces a wide range of issues due to its complex socioeconomic terrain, from maintaining social inclusion and good governance to mitigating poverty and environmental degradation. In light of this, companies are being put under more and more pressure to do more than just maximize profits; through CSR programs, they are expected to actively address these issues. The ESG model offers an all-encompassing structure for assessing an organization's performance concerning environmental, social, and governance aspects, consequently encompassing the wider influence of its corporate social responsibility endeavours on sustainability. The Companies Act, 2013, which made mandatory CSR spending mandatory for a number of Indian company types, has further highlighted the significance of CSR on the corporate agenda. However, there is still room for discussion and empirical research regarding the efficacy and influence of CSR programs on the outcomes of sustainable development. By examining how Indian businesses are incorporating CSR practices into their business plans to promote sustainable growth, this article aims to close this gap. This study intends to investigate the extent to which corporate social responsibility (CSR) activities help address environmental concerns, promote social fairness, and improve governance standards in India through a review of pertinent literature, case studies, and empirical data. It aims to assess how these CSR initiatives affect important performance metrics, including financial results, reputation improvement, and stakeholder involvement. This study aims to offer useful insights for businesses, policymakers, and other stakeholders by illuminating the connection between corporate social responsibility (CSR) and sustainable growth in the Indian environment. The results of this research are expected to guide strategic decision-making, add to the current conversation on corporate social responsibility (CSR) and sustainable development, and promote an environmentally and socially conscious business climate in India.

REVIEW OF LITERATURE

Torres, P. (2024) The study emphasizes how crucial it is to take into account various sustainability factors when creating incentives for performance alignment and monitoring systems. Our research indicates that adding environmental and social performance measurements can improve the efficacy of these systems, even if financial performance indicators have historically been the primary focus. Companies can enhance their competitive advantage over time by enhancing their overall sustainability performance and matching incentives and monitoring systems with a wider range of sustainability objectives. Furthermore, our results suggest that these mechanisms' efficacy can differ throughout industries, underscoring the necessity of sector-specific approaches to sustainability management.

Nandi, A., Agarwala, N., & Sahu, T. N. (2023) The study finds that a company's CSR performance is significantly influenced by the makeup and independence of its audit committee and board of directors. Businesses with more autonomous and diverse boards typically get higher CSR ratings. The study also shows that businesses with robust social and environmental strategies typically perform better when it comes to corporate social responsibility. The favorable influence of these variables on CSR performance in the Indian setting is further supported by the panel data analysis. Overall, this study emphasizes how crucial sustainable practices and corporate governance are to achieving CSR goals.

Velte, P. (2023) The findings of this study have significant implications for business practice. Through an analysis of the effect of SIIs on corporate biodiversity disclosure, we can learn more about the ways in which environmentally conscious board governance matters for businesses. This research contributes to the growing body of literature on sustainable investing and highlights the importance of considering environmental factors in investment decisions. These results can also be used by regulators to guide the development of corporate sustainability reporting rules and regulations. This study also provides a foundation for future research in this area, as it is the first to explore the link between SIIs and BD. Overall, the results of this study have far-reaching implications for various stakeholders and pave the way for further investigation into the role of sustainable board governance in promoting corporate environmental transparency.

Kuriakose, F. (2022) The aim of the study is to present a thorough evaluation of Indian businesses' social responsibility policies, taking into consideration their efforts in sustainability, stakeholder management, and CSR implementation. This index provides a comprehensive understanding of a company's CSR performance by taking into account a variety of dimensions and indicators through the use of a composite indicator model. Data is gathered from the annual reports and corporate responsibility reports of the top 100 firms, measured by market value as of March 2019, in order to guarantee a representative sample. This method makes it possible to analyze the CSR policies of the biggest players in the Indian industry in great detail. This methodology facilitates an extensive examination of the corporate social responsibility strategies of the leading firms in the Indian market, offering insightful information to investors and policymakers.

Tewari, R., Sharma, E., & Singh, A. (2021) The current research endeavors to provide a novel corporate social responsibility (CSR) consumer perception scale (CSR-CPS) that is unique to India and has been statistically validated. The India's implementation of required corporate social responsibility, there is no other scale that is comparable to it that was studied across a variety of industries. During the course of the study, there were two stages. In the first phase, CSR traits were chosen based on previous research, and expert consultation was carried out in order to validate the legitimacy of the statements' content.

Yadav, D. V. (2020) The purpose of this article is to examine the statutory mandate of CSR under this particular provision and the ensuing modifications that have been made to it. It will also conduct a critical analysis of how the corporate sector in India has implemented and benefited from sustainable corporate social responsibility initiatives. The primary focus of this study is corporate social responsibility (CSR), which was first implemented as a legal requirement for certain firms by Section 135 of the Firms Act of India.

Purbawangsa and et.al. (2019) Using a quantitative research methodology, the study will gather information from a sample of publicly traded businesses in several industries. To ensure data quality and dependability, the variables of interest will be measured using recognized scales and indices. In order to improve the context of the findings, the study will also account for a number of external factors, including industry considerations, economic situations, and regulatory environments. This study intends to add to the body of knowledge on the significance of ethical business practices and their effect on overall corporate value by examining the relationship between corporate governance, corporate profitability, and CSR disclosure.

Naz, R. (2018) The paper makes the case that India's current corporate social responsibility laws do not take into consideration the intricate web of shareholding and corporate governance arrangements that exist inside family-owned business groups. The law ignores the interconnection of these organizations due to shared ownership and control by concentrating on individual firms as the unit of compliance. The legislation is therefore ill-equipped to guarantee that the required minimum amount of CSR expenditure is incurred. This main point emphasizes the necessity of a more thorough and sophisticated approach to CSR regulation in India.

Pillai, K. R. (2017) The article's main goal is to help Indian businesses incorporate CSR activities into their fundamental business plans. A number of measures were included by the Companies Act of 2013 to encourage ethical business conduct and improve the social and environmental impact of enterprises. These regulations stress the necessity for businesses to create long-term sustainability goals and report on their CSR initiatives, in addition to requiring them to dedicate a specific portion of their income to CSR operations.

Habbash, M. (2016) The objective of this study is to determine the disclosure practices regarding corporate social responsibility (CSR) in Saudi Arabia, a rapidly developing Arab country, and to examine the potential impacts of ownership structure, corporate characteristics, and corporate governance (CG). This study contributes to the existing knowledge by investigating the determinants of CSR disclosure in a country with limited past research in this domain.

OBJECTIVES OF THE STUDY

1. To evaluate the trends of CSR funds utilisation to various sectors.
2. To analyse the trends of CSR allocation using ESG model.
3. To find is there any difference between for CSR amount spent in various development sector and different years.
4. To analyse there is no difference between the ESG categories over the last five years.

HYPOTHESIS OF THE STUDY

- **Ho:** There is no difference between for CSR amount spent in various development sector and different years.
- **Ho:** There is no difference between the ESG categories over the last five years.

METHODOLOGY OF THE STUDY

The study makes use of credible databases, papers, and scholarly journals to conduct a secondary data analysis of CSR initiatives and outcomes. In order to evaluate CSR initiatives and outcomes, the research will isolate critical variables and indicators. This will lead to credible and accurate findings that can enhance decision-making and add to what is already known about CSR. Statistical techniques will be applied to the data analysis in order to get to the bottom of things. The efficacy and influence of CSR projects can be better understood by spotting patterns, correlations, and trends. In the end, this research will not only help us understand CSR better, but it will also give us great ideas for how corporations may make their CSR efforts more effective.

RESULTS AND DISCUSSION

Evaluate The Trends of CSR Funds Utilisation to Various Sectors

The analysis of corporate social responsibility (CSR) contributions in Karnataka over the past five fiscal years reveals significant investments across various development sectors. These contributions, measured in INR Crores, highlight the commitment of corporations towards social and environmental initiatives in the state. By examining the expenditure trends, to gain insights into the areas that have received the most attention and identify potential gaps that need to be addressed in the following table.

Table A: Analyses of CSR contributions in Karnataka across several development sectors for the past five fiscal years. (Expenditure in INR Crores)

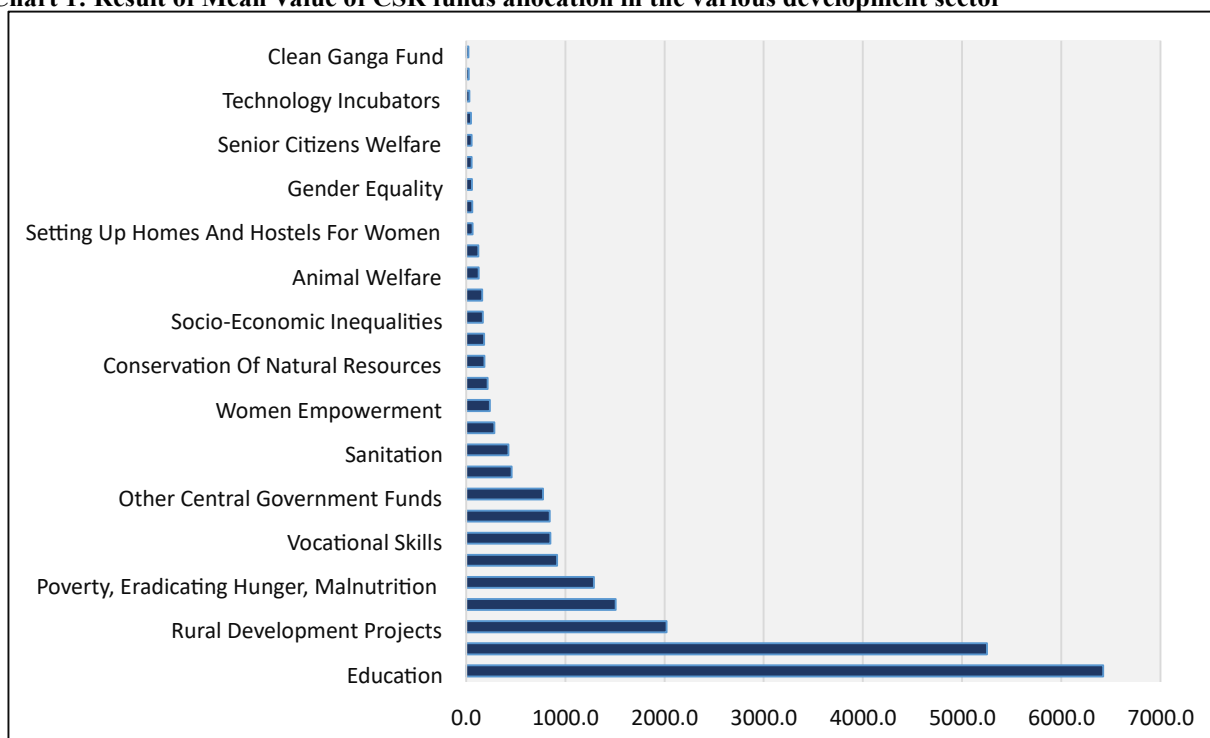
Development Sector	2018-19	2019-20	2020-21	2021-22	2022-23	Mean Value	CAGR
Education	5763.5	6111.7	7179.5	6693.3	6367.3	6423.0	10.5
Health Care	2777.0	3617.2	4905.7	7325.8	7636.2	5252.4	175.0
Rural Development Projects	1724.1	2434.2	2301.0	1850.7	1801.4	2022.3	4.5
Environmental Sustainability	1302.0	1368.3	1470.5	1030.2	2366.2	1507.4	81.7
Poverty, Eradicating Hunger, Malnutrition	811.2	1195.8	1159.7	1407.6	1873.7	1289.6	131.0
Livelihood Enhancement Projects	832.4	908.0	1077.7	938.9	822.0	915.8	-1.2
Vocational Skills	546.5	798.4	1181.2	717.7	1010.8	850.9	85.0
Prime Minister's National Relief Fund	200.4	322.2	798.4	1698.4	1190.9	842.1	494.2
Other Central Government Funds	292.7	731.1	932.2	1618.2	303.3	775.5	3.6
Art And Culture	395.2	225.9	933.6	493.1	241.2	457.8	-39.0
Sanitation	460.7	506.7	521.7	339.0	301.5	425.9	-34.6
Training To Promote Sports	285.4	310.2	304.0	243.4	286.7	285.9	0.4
Women Empowerment	251.4	236.5	259.6	206.0	251.3	241.0	0.0
Safe Drinking Water	220.9	228.2	253.4	203.1	176.1	216.3	-20.3
Conservation Of Natural Resources	228.1	173.6	160.6	92.0	272.0	185.2	19.2
Special Education	140.0	186.1	196.9	209.2	181.8	182.8	29.9
Socio-Economic Inequalities	156.0	167.9	214.9	149.8	156.1	168.9	0.1
Nec/ Not Mentioned	15.2	87.6	502.8	203.1	0.6	161.9	-96.1
Animal Welfare	63.5	98.3	106.1	193.6	165.6	125.4	160.6
Swachh Bharat Kosh	272.1	95.5	53.5	161.4	32.9	123.1	-87.9
Setting Up Homes And Hostels For Women	70.6	57.0	48.5	44.5	100.2	64.2	41.9
Armed Forces, Veterans, War	29.1	90.2	62.1	84.1	42.6	61.6	46.3

Widows/ Dependents							
Gender Equality	24.0	51.9	82.9	43.8	97.6	60.1	306.7
Slum Area Development	39.2	51.1	42.9	89.0	58.1	56.1	48.5
Senior Citizens Welfare	40.1	46.5	52.3	56.5	76.2	54.3	90.1
Agro Forestry	66.8	64.8	67.4	20.9	33.1	50.6	-50.4
Technology Incubators	16.9	32.1	53.5	62.6	7.3	34.5	-56.7
Setting Up Orphanage	39.9	12.9	36.5	21.9	25.8	27.4	-35.3
Clean Ganga Fund	34.0	8.1	6.6	13.4	54.3	23.3	59.9
Total	17098.6	20217.7	24965.8	26211.0	25932.8	22885.2	51.7

Source: Annual report of corporate affairs

The above Table-A illustrates a consistent upward trend in the corporate social responsibility (CSR) contribution in India from 2018–19 to 2022–23. The average value of this contribution is 22885.16 crores, with a compound annual growth rate (CAGR) of 51.67 percent. The notable increase in CSR contributions signifies a favorable change in corporate social responsibility practices in India. It demonstrates an increasing dedication from firms to actively participate in social and environmental projects. This trend is promising as it showcases an acknowledgment of the significance of sustainable development and the contribution of businesses to fostering a more comprehensive and accountable society.

Chart 1: Result of Mean Value of CSR funds allocation in the various development sector



Source: Annual report of corporate affairs

The data reveals that the average CSR contribution in the 'Education' sector is 6423.04, the highest among the past five fiscal years. The 'Health Care' sector follows with a contribution of 5252.37 crores, and the 'Rural Development' sector ranks third with a contribution of 2022.28 crores. The compound annual growth rate (CAGR) for "PM's National Relief Fund" is the greatest among the three categories over a five-year period. "Gender Equality" ranks second with a growth rate of 306.66 percent, while "Health Care" ranks third with a growth rate of 174.98 percent.

Table B: Descriptive analysis of the CSR Fund Spend in the last five years

Descriptive Statistics	2018-19	2019-20	2020-21	2021-22	2022-23
Mean	589.62	697.17	860.89	903.83	894.23
Std. Deviation	1165.64	1313.73	1567.02	1781.37	1810.16
Minimum	15.2	8.1	6.6	13.4	0.6

Maximum	5763.5	6111.7	7179.5	7325.8	7636.2
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Source: Annual report of corporate affairs

The above Table-B descriptive statistics provide an overview of the data for the years 2018–2019 to 2022–2023. The mean values show an increasing trend over the years, with the highest mean value recorded in 2021–2022. The standard deviation also increases over time, indicating greater variability in the data. The minimum and maximum values show a wide range of values, with the maximum value steadily increasing each year.

Table C: Analysis of Kruskal Wallis test for is there any difference in the allocation of CSR funds to various development sectors over the last five years

Variables	n	Median	Mean Rank
Amount Spent FY 2018-19 (INR Cr.)	29	220.9	68.17
Amount Spent FY 2019-20 (INR Cr.)	29	186.1	71.98
Amount Spent FY 2020-21 (INR Cr.)	29	253.4	77.47
Amount Spent FY 2021-22 (INR Cr.)	29	203.1	75.14
Amount Spent FY 2022-23(INR Cr.)	29	181.8	72.24
<i>Total</i>	145	206	
Kruskal-Wallis Test	Chi-Sq.	DF	P
	0.81	4	0.037

Source: Annual report of corporate affairs

A Kruskal-Wallis test revealed a statistically significant ($p = 0.037$) distinction between the categories of the independent variable and the dependent variable. Accordingly, the available evidence led to the rejection of the null hypothesis. What this means is that there was a statistically significant relationship between the two variables.

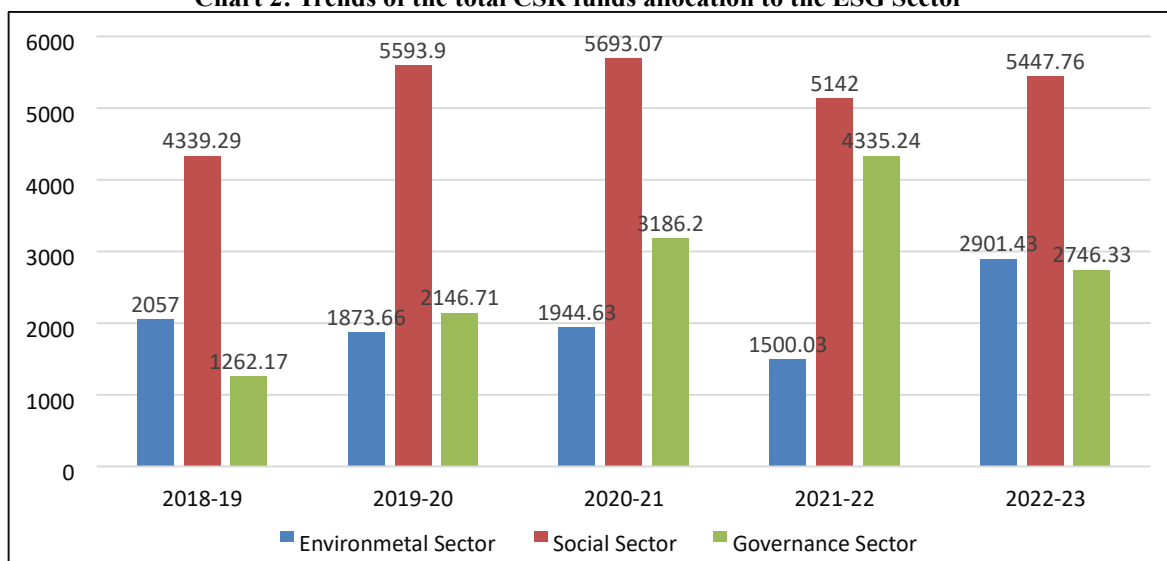
Table D: Analysis of trends of CSR allocation using Environmental, Social and Governance/ ESG model

Environmental Sector	2018-19	2019-20	2020-21	2021-22	2022-23
Environmental Sustainability	1301.96	1368.27	1470.53	1030.16	2366.15
Safe Drinking Water	220.87	228.23	253.4	203.13	176.1
Conservation Of Natural Resources	228.14	173.55	160.6	92	271.95
Clean Ganga Fund	33.96	8.11	6.63	13.39	54.31
Swachh Bharat Kosh	272.07	95.5	53.47	161.35	32.92
Total	2057	1873.66	1944.63	1500.03	2901.43
Mean Value	411.4	374.732	388.926	300.006	580.286
Social Sector					

Rural Development Projects	1724.07	2434.17	2301.02	1850.71	1801.43
Poverty, Eradicating Hunger, Malnutrition	811.2	1195.78	1159.71	1407.58	1873.68
Livelihood Enhancement Projects	832.4	907.98	1077.72	938.91	822.01
Sanitation	460.68	506.66	521.72	338.97	301.48
Women Empowerment	251.37	236.54	259.57	206	251.31
Socio-Economic Inequalities	155.95	167.92	214.88	149.81	156.06
Animal Welfare	63.52	98.33	106.12	193.55	165.56
Senior Citizens Welfare	40.1	46.52	52.33	56.47	76.23
Total	4339.29	5593.9	5693.07	5142	5447.76
Mean Value	542.41	699.24	711.63	642.75	680.97
Governance Sector					
Vocational Skills	546.46	798.36	1181.23	717.65	1010.83
Prime Minister's National Relief Fund	200.42	322.19	798.43	1698.38	1190.86
Setting Up Homes And Hostels For Women	70.58	57.01	48.5	44.52	100.15
Armed Forces, Veterans, War Widows/ Dependents	29.09	90.18	62.06	84.05	42.55
Other Central Government Funds	292.73	731.06	932.16	1618.17	303.34
Slum Area Development	39.16	51.06	42.94	88.95	58.14
Agro Forestry	66.79	64.75	67.38	20.9	33.13
Technology Incubators	16.94	32.1	53.5	62.62	7.33
Total	1262.17	2146.71	3186.2	4335.24	2746.33
Mean Value	157.77	268.34	398.28	541.91	343.29

Source: Annual report of corporate affairs

Chart 2: Trends of the total CSR funds allocation to the ESG Sector



Source: Annual report of corporate affairs

The *environmental sector's* data demonstrates a tendency that has changed throughout time. Money for Environmental Sustainability and Conservation of Natural Resources increased significantly in 2022–2023; nevertheless, money for Safe Drinking Water and Clean Ganga Fund decreased significantly at the same time. The overall budget for the environmental sector grew from 2018–19 to 2022–23, averaging 580.286, notwithstanding these changes. This suggests a generally upward trend in the amount of money allocated to sustainability and environmental preservation projects.

These numbers show how much money has been allocated to *social sector* over the last five years to various rural development programs. The goal has been to eradicate hunger, malnutrition, and poverty; hence, a substantial amount of funding has been set aside for these programs. Sanitation and livelihood-enhancement programs have also received consistent funding. An all-encompassing approach to rural development has seen attention paid to issues such as senior citizen welfare, animal welfare, socioeconomic inequality, and women's empowerment. The overall amount of money allotted has increased steadily, demonstrating a commitment to raising rural residents' standards of living.

These figures show how much money was allotted for *governance* in several government initiatives in the 2022–2023 fiscal year. Considerable funds were allocated to the Prime Minister's National Relief Fund for vocational skills development. Other key areas of concentration were investing in innovation incubators, aiding veterans and the military forces, and establishing houses and hostels for women. The government's dedication to social welfare and economic growth is demonstrated by the sizeable overall budget allotted for these initiatives. The average funding value for these initiatives shows that each effort is receiving around the same amount of assistance.

Table E: Analysis Kruskal Wallis Test for difference between the ESG Sector over the five years

Groups	n	Median	Mean Rank
Environmental Sector	5	1944.63	4.4
Social Sector	5	5447.76	13
Governance Sector	5	2746.33	6.6
<i>Total</i>	<i>15</i>	<i>2901.43</i>	
<i>Kruskal Wallis Test</i>	<i>Chi-Sq.</i>	<i>df</i>	<i>p</i>
	9.98	2	.007

Source: Annual report of corporate affairs

The Kruskal-Wallis test is a non-parametric statistical test employed to compare three or more groups based on a continuous or ordinal result. It is frequently employed when the assumptions of a one-way ANOVA, such as normality and equal variances, are not satisfied. Here is the analysis of your results: A Kruskal-Wallis test indicated a significant difference across the categories of the independent variable in relation to the dependent variable, with a p-value of .007. Therefore, based on the facts at hand, the null hypothesis was rejected.

FINDINGS OF THE STUDY

- Consistent upward trend in CSR contribution from 2018-19 to 2022-23.
- 'Education' sector contributes the most with 6423.04 crores in the past five fiscal years and which is highest in allocation of the CSR funds.
- The 2022-2023 environmental sector budget saw a significant increase in funding for sustainability and conservation, despite a decrease in funds for Safe Drinking Water and Clean Ganga Fund.
- Over the past five years, substantial funding has been allocated to rural development programs, focusing on eradicating hunger, malnutrition, poverty, sanitation, livelihoodenhancement, senior citizen welfare, and women's empowerment.
- The 2022-2023 government initiatives include significant allocation to the Prime Minister's National Relief Fund for vocational skills development, investment in innovation incubators, aid to veterans, and women's housing.
- The Kruskal-Wallis Test Analysis is a non-parametric statistical test for ESG allocation over the five years, rejecting the null hypothesis if significant differences are found.

CONCLUSION

The influence of corporate social responsibility (CSR) activities on India's progress toward sustainable development is examined in this study. It looks at how Indian businesses are raising governance standards, investing in environmental

causes, encouraging social inclusion, and incorporating CSR principles into their inclusiveness. The impact of these activities on stakeholder participation, financial performance, and reputation enhancement is also examined in this study. The results point to a favorable shift in CSR practices in India, with businesses showing a greater willingness to take part in environmental and social projects. The budget for the environmental sector increased in tandem with an overall rising trend in financing for initiatives related to sustainability and preservation. The social sector has benefited greatly from funding initiatives for rural development that seek to end poverty, hunger, and malnutrition. Significant financing has also gone into government projects, including women's hostels, innovation incubators, and the Prime Minister's National Relief Fund for vocational skills development. Over the last five fiscal years, the education sector has made the largest and most important contributions to CSR funding.

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