

Analyzing Trends in India's CSR Expenditure 2024

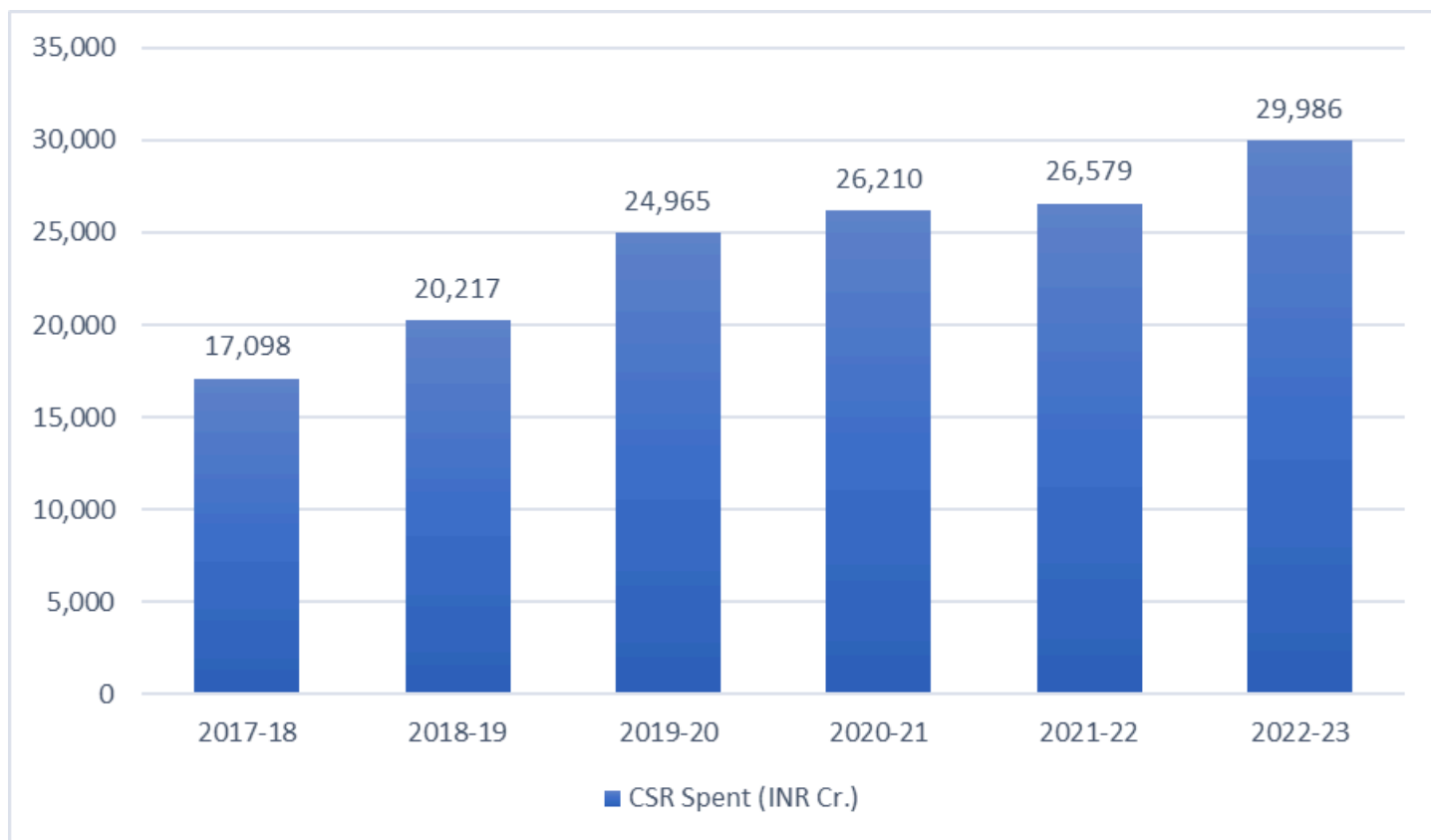
I. Introduction

Since the implementation of the Companies Act in 2013, which mandated Corporate Social Responsibility (CSR) contributions from certain tiers of businesses, India has witnessed a significant transformation in how corporate entities engage with and contribute to societal development. This legislation was a pioneering move, positioning India as one of the first countries to enforce CSR through statutory provisions. This article examines the trends in CSR expenditures over the last nine years, as updated on the Ministry of Corporate Affairs portal as of October 2024, with a focus on understanding the implications of these trends against the backdrop of regulatory changes and broader economic fluctuations.

II. Background

Corporate Social Responsibility in India took a structured form with the Companies Act 2013, compelling companies of a certain size to spend at least 2% of their average net profits from the previous three years on CSR activities. This move was aimed at fostering an environment where businesses would play a key role in addressing social, environmental, and economic issues. Over the years, the dynamics of CSR spending have been influenced by several factors including regulatory changes, corporate governance practices, and macroeconomic conditions. An analysis of these expenditures not only sheds light on compliance trends but also on corporate behaviour in response to evolving societal expectations and economic landscapes.

Trend Report

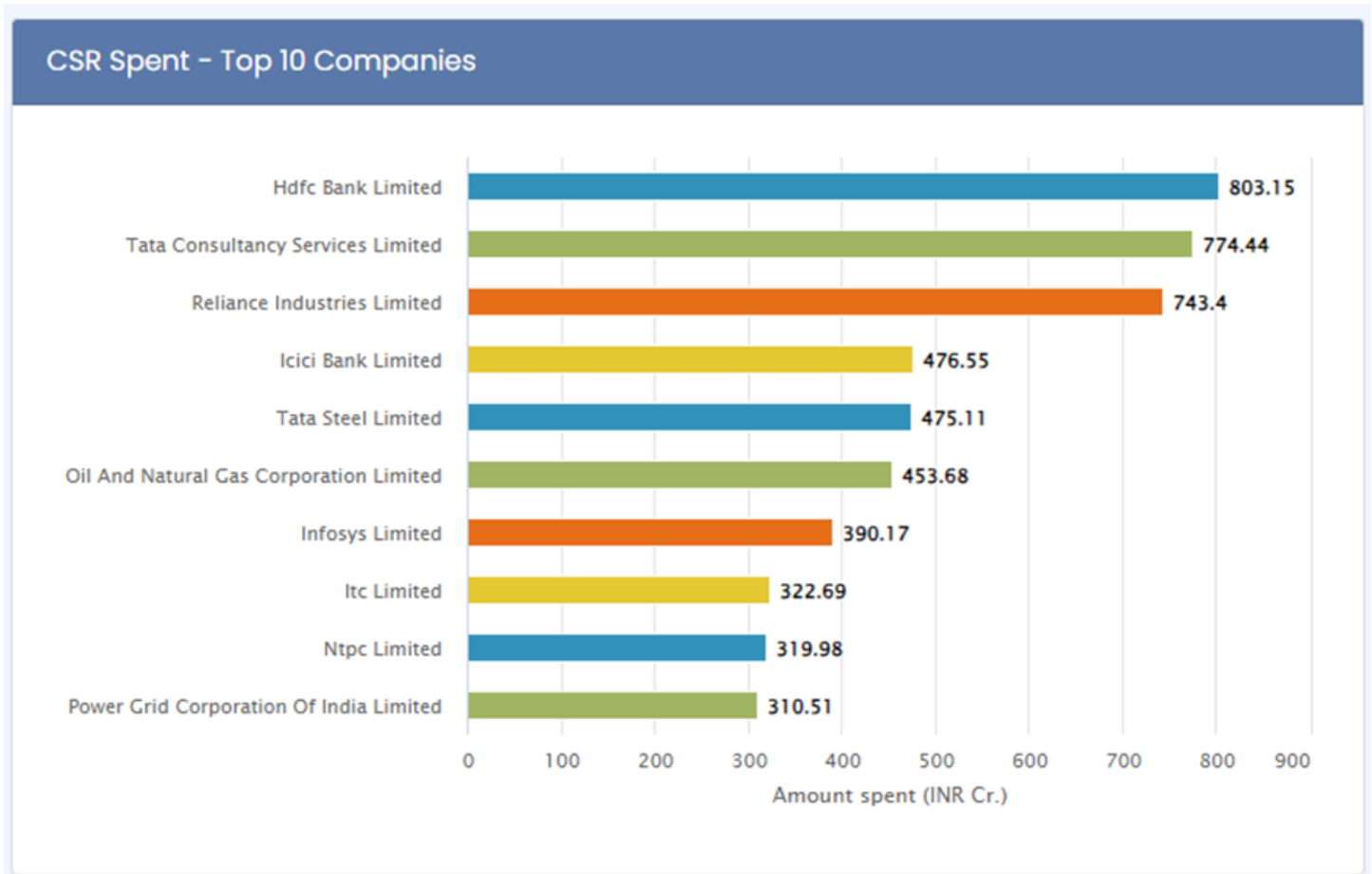


Note: Data as updated on MCA portal as of Oct 2024

An examination of the CSR spending data from 2017-23 reveals several interesting trends:

- There is a rapid increase in spending, peaking in 2019-20 with a 23.47% increase from the previous year. This suggests a period of adjustment where companies were aligning their activities to comply with the new law.
- Subsequent fluctuations in spending, the increase is steady but modest during the years 2020-23, can be correlated with economic factors such as the COVID-19 pandemic and its repercussions on corporate profitability and priorities.
- Government policies and compliance changes in 2021, the government proposed penalties for companies that do not meet their CSR obligations. Such changes may have spurred companies to align their spending with legal mandates, potentially contributing to growth in CSR expenditure
- Over the years, ESG investing has gained traction globally, and companies have faced pressure from stakeholders, investors, and international markets to adopt sustainable and socially responsible practices. Indian companies increasingly see CSR as an integral part of their long-term sustainability strategies rather than just a compliance-driven exercise. The integration of CSR into broader corporate governance structures has led to more consistent or rising expenditure in recent years.
- India has faced multiple natural disasters over the last few years, including cyclones, floods, and droughts. The devastating **Cyclone Fani in Odisha in 2019** and **floods in Kerala** in 2018-19 may have prompted companies to direct their CSR efforts towards emergency response and rebuilding efforts. These initiatives not only address immediate relief efforts but also contribute to long-term sustainability and community resilience.

- The year-on-year increase in CSR expenditure indicates a growing integration of CSR into the corporate ethos of Indian companies, reflecting a broader global trend towards sustainability and social responsibility.



Note: Data as updated on MCA portal as of Oct 2024

Moreover, as climate change becomes an increasingly urgent issue, more corporations are directing their CSR efforts toward sustainability projects, such as renewable energy initiatives, water conservation, and afforestation programs.

1. **HDFC Bank**- Through its flagship **Parivartan** program, the bank has supported community development projects, improved sanitation facilities, and provided scholarships for underprivileged students. Additionally, HDFC Bank has actively contributed to environmental sustainability through tree plantation drives and renewable energy initiatives.
2. **Tata Consultancy Services (TCS)** - In response to the growing need for digital education, TCS launched a program to equip schools in rural areas with digital learning technologies. This initiative aims to provide students in underprivileged regions with the same quality of education as those in more developed areas.
3. **Reliance Industries** - Recognizing the urgent need for environmental sustainability, Reliance has committed a significant portion of its CSR budget to water conservation projects across India. These include setting up rainwater harvesting systems and rejuvenating local water bodies in arid regions, which not only helps in water conservation but also supports local agriculture.

4. **Infosys** - Continuing its commitment to green energy, Infosys has expanded its investment in solar energy projects across multiple states in India. By increasing the share of renewable energy in its total power consumption, Infosys not only reduces its carbon footprint but also sets a precedent for other corporate entities to follow suit in sustainable practices.
5. **Mahindra Group** - Mahindra has focused a portion of its CSR efforts on urban sustainability projects. This includes partnerships with local governments for the development of green spaces and public parks, as well as initiatives to reduce air pollution in major cities like Delhi and Mumbai. Their projects often feature innovative solutions such as vertical gardens and urban forests.

III. Where We Are Headed

The CSR expenditure trends from 2014-15 to 2022-23 highlight the evolving nature of corporate responsibility in India. The legislative mandate has not only ensured compliance but has also encouraged companies to take proactive steps towards meaningful societal contributions. As India continues to face both economic and environmental challenges, the role of CSR becomes increasingly crucial. Corporations are now seen not just as business entities but as integral parts of the societal fabric, capable of driving significant positive changes. The ongoing commitment to CSR, despite economic fluctuations, underscores a shift towards sustainable development and long-term societal well-being. This dynamic landscape promises not only to shape the future of CSR in India but also to influence global corporate responsibility trends.

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