CORPORATE SOCIAL RESPONSIBILITY AS A FACADE FOR FRAUDULENT PRACTICES IN INDIA AND HOW TO COMBAT ITS MISUSE

Mohd Asad, Jamia Millia Islamia

ABSTRACT

Corporate Social Responsibility (CSR) has traditionally served as a mechanism to impose social and environmental obligations on corporations by encouraging them to recognize their duty towards the society around them. In recent development, the positive aspect of CSR has seen a troubling shift, wherein companies adopt unfair means to dodge their responsibilities and misusing CSR funds for personal or corporate gain.

In this paper we have explore CSR as a facade for fraudulent practices in India, where CSR initiatives for fostering genuine social impact, are often employed to enhance corporate images and serve private interests. The paper highlights instances of CSR misuse and examines the loopholes in India's regulatory framework, such as weak enforcement mechanisms, lack of transparency, and inadequate monitoring. It has also offer solutions to combat the problem, including stronger regulatory oversight, improved corporate governance practices with increased public accountability. Thereby implementing these measures, India can ensure the true implementation of CSR fulfilling its intended purpose of promoting sustainable development and ethical business practices, rather than becoming a facade for fraudulent activities.

Keywords: Corporate Social Responsibility, Fraudulent Practices, Mixed Economy, Reverse Money Laundering, Transparency.

1. Introduction: Corporate Social Responsibility as a Facade for Fraudulent Practices in India and How to Combat It's Misuse

Corporate Social Responsibility is the medium of integrating social and environment concerns in the business operations and interactions within the company. In this mechanism the companies or business entities while acting as a Juristic person promote and enhance the quality of society and environment rather than degrading it, a charity initiative that helps both the community and the brand.[1] A two way mechanism, wherein the society gets social and environmental benefits through CSR activities conducted by the company which in return promotes the company branding creating advantages for the company's stakeholders. It is a way to balance the economics, environmental, and social imperatives ("Triple-Bottom-Line-Approach") while at the same time addressing the expectations of shareholders and stakeholders.[2]

Howard Bowen, who is known as the "father of CSR," laid the intellectual foundation for modern CSR in his seminal work, *Social Responsibilities of the Businessman* (1953).[3] In this work, he argued that businesses, beyond pursuing profits, have a moral obligation to consider the impact of their actions on society. Bowen emphasized that corporations should be accountable not only to shareholders but also to broader stakeholders and laying the foundation for modern CSR by promoting ethical conduct and social responsibility over mere profit-making.[4]

Corporate Social Responsibility (CSR) is a voluntary or non-obligatory initiative for businesses entities worldwide aiming to promote social responsibility. Companies may choose to engage in CSR activities to contribute to societal welfare, and demonstrate their commitment to sustainability while improve their public image by doing so. However, in India, CSR has been made a mandatory requirement for certain categories of companies, marking a significant

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[1] Ahmad Hamidu, Harashid Haron & Azlan Amran, Corporate Social Responsibility: A Review on Definitions, Core Characteristics and Theoretical Perspectives, 6 Mediterr. J. Soc. Scis. 83, 95 (2015).

[2] United Nations Industrial Development Organization, What is CSR?, UNIDO, available at: https://www.unido.org/our-focus-advancing-economic-competitiveness-competitive-trade-capacities-and-corporate-responsibility-corporate-social-responsibility-market-integration/what-csr (last visited on Aug. 20, 2025).

[3] Howard Bowen, *Social Responsibilities of the Businessman* (Harper & Row, 1953), available at: https://books.google.co.in/books?id=ALIPAwAAQBAJ&lpg=PT5&ots=da4fNerqsp&dq=social+responsibilities+of+the+businessman&lr=&pg=PP1&redir_esc=y#v=onepage&q&f=false (last visited on Aug. 20, 2025).

[4] Aurélien Acquier, Jean-Pascal Gond & Jean Pasquero, Rediscovering Howard R. Bowen's Legacy, 50 Bus. & Soc'y 607, 646 (2011).

departure from the voluntary approach seen globally. This legislative shift came with the introduction of Section 135 of the Companies Act,[5] which took effect from the financial year 2014–15.

While this legislative approach aims to embed corporate participation in India's socio-economic development, it also raises concerns. Reports of misreporting, diversion of funds, and CSR being used as a facade for enhancing corporate image rather than genuine impact have surfaced. This duality between CSR as *'a tool for social good and as a shield for unethical practices'* highlights the urgent need to examine the misuse of CSR provisions in India and explore mechanisms to ensure transparency, accountability, and genuine corporate commitment to societal welfare.

2. CSR in India: Evolution and Legal Structure

Corporate social responsibility (CSR) in India has undergone significant transformation, evolving from traditional practices like charity and philanthropy to a more strategic and sustainable approach.

2.1 Evolution of CSR in India:

India has one of the richest traditions of corporate social responsibility (CSR), with the concept of charity deeply rooted in the philosophy of trusteeship. This philosophy was particularly promoted by Mahatma Gandhi, wherein he emphasized that wealth and resources should be viewed as a trust to benefit society, rather than solely for personal gain thereby, in the early stages, charity and philanthropy were the primary drivers of CSR. [6] Various factors such as culture, religion, family values, tradition, and industrialization played an influential role in shaping CSR practices in India.

In the pre-industrialization period, which lasted until 1850, wealthy merchants in India supported society by funding temples, mosques, and providing aid during famines and epidemics. Later on with the onset of colonial rule in the 1850s, the approach to CSR began to change. In 19th-century colonial India, industrialists like Tata, Godrej, Bajaj, Modi, Birla, and Singhania took on not just business goals, but also social duties. However, their social efforts

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[5] The Companies Act, 2013 (Act 18 of 2013).
[6] Kazuya Ishii, Gandhi's Theory of Trusteeship, MKGAN-DHI.ORG, https://www.mkgandhi.org/articles/Gandhis-theory-of-Trusteeship.html (last visited on Aug. 20, 2025).

were often shaped as much by their financial interests, their caste or community ties, and political aims as by pure altruism, because they operated in a complex colonial environment where economics, society, and power were deeply intertwined. [7]

India's independence movement saw great pressure on industrialists to demonstrate their commitment to societal progress. It was during this time that Mahatma Gandhi introduced the concept of *'trusteeship'*.[8] Gandhi's idea was that industrial leaders should manage their wealth in a way that benefits the common people. Gandhi famously stated, *"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 make-shift, certainly no camouflage. I am confident that it will survive all other theories."* [9] This highlights Gandhi's belief in the *"trusteeship"* model, which encouraged industrialists to support nation-building by funding schools, colleges, and social initiatives like rural development, women's empowerment, and the fight against untouchability.[10]

In the mid-1960s, India adopted a mixed economy, leading to the rise of Public Sector Undertakings (PSUs) and new labor and environmental regulations as in the form of corporate social responsibility towards community and workers relationship.[11] Even though state-run enterprises were supposed to lead development, the heavy rules imposed on private business often created opportunities for abuses. Meanwhile, the public sector undertakings (PSUs) were meant to ensure fair growth, but didn't always succeed. Over time people started expecting private firms to play a greater part in helping society, not just making profits.[12] A 1965 CSR-workshop highlighted transparency and stakeholder engagement, but CSR remained slow to gain traction.[13]

From the 1980s onward, Indian companies began shifting from traditional charity-based CSR to integrating it into business strategies. Economic liberalization in the 1990s boosted growth, making firms more capable and willing to support social causes. Thereby, when India opened

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[7] Sumit Tiwari, CSR ITC – Case Study Analysis (MMS 2021-2023) (University of Mumbai 2024-25), Studocu, https://www.studocu.com/in/document/university-of-mumbai/mms/csr-itc-sumi t/87781996 (last visited Aug. 20, 2025).
[8] Supra note 6.
[9] M.K. Gandhi, "Theory of 'Trusteeship", Harijan, December 16, 1939.
[10] Seema G. Sharma, *Corporate Social Responsibility in India: An Overview*, 43 Int'l L. 1515 (2009).
[11] Id.
[12] Anil Ghanghas, Various Phases of Corporate Social Responsibility in India, 3 Int'l J. Academic Research & Dev. 861, 863 (2018).
[13] SoulAce, How Has CSR Evolved in India?, available at: https://www.soulace.in/how-has-csr-evolved-in-india.php#:~:text=In%201965%2C%20the%20academicians%2C%20politicians%20and%20businessmen,integrated%20CSR%20into%20a%20sustainable%20business%20strategy (last visited on Aug.18, 2025).

up to the world economy, companies started competing not just with Indian firms, but also with firms abroad. To sell in global markets, Indian manufacturers had to match or meet international expectations around how workers are treated and how the environment is protected. This meant cleaner factories, safer working conditions, better pollution controls, and using more sustainable materials.

So globalization pushed Indian businesses to lift their standards, not just to make more profits, but to succeed internationally, they had no choice but to do better on labor rights and green practices.

2.2 Legal Mandates under The Companies Act 2013[14]:

Companies with a net worth of ₹500 crore or more, a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more in the preceding financial year must form a Corporate Social Responsibility (CSR) Committee with at least three directors, including one independent director.[15] The committee is responsible for formulating and recommending a CSR policy, determining the expenditure and monitoring the policy.

The Board must approve the CSR policy and ensure activities are undertaken as per the policy. The company must spend at least 2% of its average net profits over the last three years on CSR activities.[16] If the amount is not spent, the reasons must be stated in the Board's report and any unspent funds should be transferred to a specified fund within six months.[17] If the company exceeds the required amount, it can set off the excess against future CSR obligations.

Unspent funds for ongoing projects must be transferred to a special CSR account and spent within three years, or else transferred to a specified fund. Companies failing to comply with these provisions may face penalties under Section 135(7).[18] And for companies with CSR expenditure under ₹50 lakh, the requirement to form a CSR committee does not apply, and the Board will handle CSR functions.[19]

The Companies Act of 2013's Schedule VII lists the following activities that businesses

[14] Supra note 5.
[15] Companies Act, No. 18 of 2013, Sec. 135(1).
[16] Companies Act, No. 18 of 2013, Sec. 135(5).
[17] Companies Act, No. 18 of 2013, Sec. 135(5) proviso.
[18] Companies Act, No. 18 of 2013, Sec. 135(7).
[19] Companies Act, No. 18 of 2013, Sec. 135(9).

may incorporate into their CSR policies:[20]

1. Eradicating hunger, poverty, malnutrition, promoting healthcare, sanitation, and safe drinking water, including contributions to the Swachh Bharat Kosh.
2. Promoting education, special education, vocational skills, and livelihood enhancement for children, women, elderly, differently-abled, and backward groups.
3. Promoting gender equality, empowering women, and setting up homes for women, orphans, elderly, and reducing inequalities for socially and economically backward groups.
4. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, conservation of resources, and contributions to the Clean Ganga Fund.
5. Protecting national heritage, restoring historical buildings, promoting traditional arts, and setting up public libraries.
6. Providing benefits to armed forces veterans, war widows, CAPE, CPMF veterans, and their dependents.
7. Promoting rural sports, nationally recognized sports, paralympic sports, and Olympic sports.
8. Contributing to the Prime Minister's National Relief Fund or PM CARES Fund for socio-economic development and relief.
9. Contributing to research and development projects in science, technology, engineering, medicine, and supporting public-funded universities, IITs, and national labs.
10. Supporting rural development projects.
11. Developing slum areas as declared by the government.
12. Engaging in disaster management, including relief, rehabilitation, and reconstruction activities.

2.3 CSR Activities in India:

The conceptualization of corporate social responsibility as discussed above in the 1990’s was largely synonymous with philanthropy or charity. Welfare programs and initiatives undertaken by companies were not viewed as obligations or responsibilities, but rather as voluntary acts of goodwill intended to do good for the employees, community, or society at large.[21] Prominent

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[20] Companies Act, No. 18 of 2013, Sch. VII.
[21] Shivangi Dhawan & Rabinarayan Samantara, Corporate Social Responsibility in India: Issues and Challenges, 11 IIMS J. Mgmt. Sci. 91, 103 (2020), https://doi.org/10.5958/0976-173X.2020.00008.1.

industrial houses such as the Tata's and the Birla's played a significant role during this period by establishing charitable trusts and foundations, which provided financial support for various social causes including education, healthcare, and cultural preservation, primarily driven by individual or institutional conscience rather than by any statutory or strategic framework.[22]

The post-liberalization phase not only ushered in significant economic reforms but also marked a transformation in the way companies engaged with communities. Corporate involvement gradually shifted from traditional models of charity and philanthropic giving, to more structured approach focusing on empowerment, ethics and long-term partnership for instance companies like ITC and Reliance Industries fostering brand building through CSR activities.[23] Businesses began to align their social initiatives with sustainable development goals, emphasizing capacity-building, skill development, and community participation.

A notable example of this shift is the Tata Group's work through the Tata Trusts, moving beyond simple financial donations, the organization began implementing large-scale programs in education, health, and rural development, an initiative designed to empower communities to become self-reliant and active participants in their own progress.[24]

Furthermore the *'Stakeholder model'* as adopted by the Corporations recently had offered a wide range of benefits, such as increased sales, customer loyalty, enhanced brand reputation, and a greater ability to attract and retain skilled employees, investors, and business partners which has also lead to a motivated workforce, improved cooperation with local communities, smoother operations, and better financial performance.[25] For instance, ITC Limited in India has implemented CSR initiatives focused on rural development, education, and environmental sustainability, through its e-Choupal program, it has empowered farmers by providing them access to market information and resources, which not only improved livelihoods in rural areas but also strengthened ITC's supply chain and boosted its brand image.[26]

Businesses in India are increasingly engaging in Corporate Social Responsibility (CSR) by

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[22] Tanu Sharma, Corporate Social Responsibility: A Study of Tata and Aditya Birla Groups, 5 Int'l J. Sci. & Eng'g Research 35 (2014).

[23] Supra note 21.

[24] Tata Group, *Corporate Social Responsibility (CSR)*, Tata Sustainability, available at: https://www.tatasustainability.com/SocialAndHumanCapital/CSR (last visited on Aug. 29, 2025).

[25] Dima Jamali, A Stakeholder Approach to Corporate Social Responsibility: A Fresh Perspective into Theory and Practice, 82 J. Bus. Ethics 213 (2008), https://doi.org/10.1007/s10551-007-9572-4.

[26] ITC Limited, *e-Choupal: Empowering Farmers*, ITC Portal, available at: https://www.itcportal.com/businesses/agri-business/e-choupal.aspx (last visited on Aug. 29, 2025).

adopting Stakeholder model, as government regulation shrinks and stakeholder demands for transparency rise with growing consumer and investor interest in ethics, along with competitive labor markets, has pushed companies to align with employee values thereby, embracing the stakeholder model, CSR efforts are made more effective, offering benefits like improved brand reputation, customer loyalty, talent retention, and operational efficiency, as well as regulatory advantages such as faster approvals and tax benefits.[27]

Supporting this trend, data from the Ministry of Corporate Affairs reveals that India has 2,805,346 companies, with 1,817,222 actively operating.[28] In the fiscal year 2022-23, 24,392 companies spent a total of INR 29,986.92 Crores on CSR activities.[29] This data reflects the corporate sector's growing commitment to social development and sustainability, focusing on areas like education, healthcare, skill development, and empowering disadvantaged communities showing a clear shift toward a more socially responsible and sustainable corporate landscape.

However, it is important to note that the Government has yet to release the data for the financial year 2023–24. This delay raises concerns regarding transparency and accountability in the dissemination of CSR-related information. While some may argue that data for previous years has been consistently provided and that the 2023–24 data may be published in due course, but the absence of information for an entire financial year highlights a potential gap in timely reporting. Such delays can hinder public scrutiny and limit the ability to assess the ongoing impact and effectiveness of CSR initiatives.

3 CSR as a Tool for Fraudulent Practices

Just as every coin has two sides, Corporate Social Responsibility (CSR) also has two facets. One, as discussed above, reflects the ethical behavior of corporations towards society. The other, however, reveals the misuse of CSR for fraudulent or self-serving purposes.

3.1 Loopholes in the Legal Provision and Enforcement of CSR:

Corporates that fall under the purview of Section 135 of the Companies Act, 2013 are required

[27] Supra note 25.
[28] Ministry of Corporate Affairs, *Corporate Data Management Portal*, available at: https://www.mcacdm.nic.in/ (last visited on Aug. 29, 2025).
[29] Ministry of Corporate Affairs, *CSR Portal*, available at: https://www.mca.gov.in/content/csr/global/master/home /home.html (last visited on Aug. 29, 2025).

to undertake mandatory Corporate Social Responsibility (CSR) activities in accordance with the areas specified in Schedule VII of the Companies Act.[30] While CSR expenditure is not allowed as a 'business deduction' under Section 37 of the Income Tax Act,[31] but certain tax benefits such as deductions under Section 80G,[32] may still be available. However, these benefits are applicable only when the CSR activities align with the provisions and eligibility criteria prescribed under the Income Tax Act. In essence, although not all CSR spending qualifies for tax relief, corporations can still claim tax benefits for specific categories of CSR contributions, particularly those that involve donations to approved charitable institutions under Section 80G[33]. This creates a strategic opportunity wherein corporations structure their CSR activities to align with the provisions of the Income Tax Act, thereby optimizing their tax position.

Some companies effectively use this alignment to reduce their overall tax liability and avoid tax. For instance, NALCO (National Aluminium Company Limited) has been accused of misusing CSR funds by redirecting them into tax-deductible activities, undermining CSR's intended purpose. Similarly, SAIL (Steel Authority of India Limited) faces scrutiny for diverting community fundraising funds into tax-saving schemes, contradicting CSR's core mission.[34]

Not just tax avoidance some companies may report higher or lower amounts of CSR expenditure or impact than the actual figures, to evade taxes, avoid penalties, or gain goodwill as in a study done by KPMG founded that 52% of the top 100 listed companies in India did not spend the mandated 2% on CSR in FY19.[35]

Some common Fraudulent Practice under CSR:

a. **Diverting off CSR funds for non-CSR purposes:** [36] Some companies may divert CSR

[30] Companies Act, No. 18 of 2013, Sec. 135(1), Sch. VII .
[31] Income-tax Act, No. 43 of 1961, Sec. 37.
[32] Income-tax Act, No. 43 of 1961, Sec. 80G.
[33] Id.
[34] Ayush B. Gurav, Tax Evasion, Avoidance, and CSR Mandates: Indian Corporates at Crossroads, *Lawful Legal*, available at: https://lawfullegal.in/tax-evasion-avoidance-and-csr-mandates-indian-corporates-at-crossroads/ (last visited on Sep. 1, 2025).
[35] B Sivakumar, CSR Implementation Plagued by Corruption, Says Watchdog, *Fortune India*, available at: https://www.fortuneindia.com/macro/csr-implementation-plagued-by-corruption-says-watchdog/113417 (last visited on Sep.1, 2025).
[36] Devesh K. Pandey, CBI Books Former CMD of Hindustan Steelworks in Bribery Case, *The Hindu*, available at: https://www.thehindu.com/news/national/cbi-books-former-cmd-of-hindustan-steelworks-in-bribery-case/article33051702.ece (last visited on Sep.1, 2025).

funds for non-CSR purposes such as personal expenses, political donations, bribes, or illegal activities. For instance, a CBI investigation found that Hindustan Steelworks Construction Ltd (HSCL) had allegedly misused Rs 2.9 crore of CSR funds for renovating a bungalow owned by a former minister.

b. **Colluding or favoring certain NGOs or intermediaries or sham transaction for CSR projects:** [37] Some companies may collude with or favor certain NGOs or intermediaries for CSR projects due to personal or professional relationships, kickbacks, or commissions. A notable example occurred in May 2019, when police uncovered a fraudulent CSR scheme involving IT firm Hexaware Technologies wherein accused individuals forged the company's documents and promised over ₹100 crore in CSR funds to various NGOs and charities across India, highlighting the risks of manipulation and exploitation in CSR initiatives.

c. **Reverse Money Laundering through CSR- The Abuse of Public Trusts in Indian Corporates:** [38] Companies allegedly funneled CSR funds through charitable trusts, returning the money in cash to company officials after deducting commissions, effectively converting legitimate funds into black money.

d. **Lack of Designated Fund for Unspent CSR Fund:** When CSR funds remain unspent on designated social responsibility activities, companies are permitted to transfer these amounts to government-established funds which include contributions to the Prime Minister's National Relief Fund, the Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund), or any other fund created by the Central Government for socio-economic development and the welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes, minorities, and women.[39] Notably, contributions to some of these funds, such as the PM CARES Fund, qualify for 100% tax deduction under the Income Tax Act, making them an attractive route for corporations seeking to optimize tax liability.[40] However, this practice raises concerns regarding transparency and accountability, particularly in the case of the PM CARES Fund, which is not classified as a public authority under the Right to Information Act, 2005.[41] As a

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[37] Supra note 35.
[38] Dinesh Narayanan, How Indian companies are misusing public trusts to launder their CSR spending, *The Economic Times*, available at: https://economictimes.indiatimes.com/news/economy/finance/how-indian-companies-are-misusing-public-trusts-to-launder-their-csr-spending/articleshow/49474584.cms (last visited on Sep.1, 2025).
[39] Companies Act, No. 18 of 2013, Sch. VII.
[40] Income-tax Act, No. 43 of 1961, Sec. 80G.
[41] Venkatesh Nayak, RTI Application Regarding Information on PM CARES Fund, Prime Minister's Office, Registration No. PMOIN/R/E/20/02345, filed on May 5, 2020, disposed of on June 22, 2020, available at:

result, public access to detailed information regarding its receipts and expenditures is restricted, undermining the spirit of transparency envisioned in CSR legislation.

3.2 Case studies of CSR Misuse in India:

a. **CSR Scam:**[42] A major CSR scam in Kerala involved the alleged misappropriation of over ₹1,000 crore, with Anandhu Krishnan, a 26-year-old from Idukki. Krishnan deceived people by offering them a two-wheeler at half price, claiming CSR funds would cover the remaining. Initially few customers received their vehicles but deliveries eventually ceased, leaving many without refunds or products. Krishnan allegedly built credibility through his ties with political leaders. This fraud has led to 700 complaints in Kannur, raising concerns about CSR misuse and lack of oversight.
b. **Sham CSR Funding:**[43] A notable example emerged in May 2019, when the Turbhe MIDC police uncovered a major CSR scam involving forged commitments of over ₹100 crore, the accused, pretending to be representatives of Hexaware Technologies, duped NGOs and charities across India with fake CSR donations, undermining trust in corporate philanthropy and highlighting the potential for exploitation within the CSR system. A new emerging problem, sham CSR funds has become a significant concern within the misuse of Corporate Social Responsibility frameworks, with some companies colluding with or favoring specific NGOs or intermediaries based on personal connections or illicit benefits, often diverting funds or inflating project costs.
c. **Instances of Dodging CSR:**[44] Hindustan Unilever Limited (HUL) launched a campaign to educate people in underdeveloped rural areas about hygiene practices, spending significant resources on the initiative. However, this campaign did not qualify as genuine CSR as the core issue was that HUL derived direct commercial benefits from the campaign, as being closely tied to the promotion of its toiletries and detergents. Rather than a philanthropic effort, the hygiene education served as a marketing strategy, aimed to promote HUL's products to a specific demographic. Such practice allows the

https://rtionline.gov.in/request/finalstatus_viewhistory.php?regId=N1FlZ3dHWWNBVGVoVkVlSDFWMEdsdzZGdmlBTXV5eEE3MC9vQ3FraEZvZz06Ol5UtrsJNMSAOhnUdAXf08A%3D (last visited on Sep. 2, 2025).

[42] Shibimol KG, Rs 1,000 cr con citing Corporate Social Responsibility funds exposed in Kerala, *India Today*, available at: https://www.indiatoday.in/india/kerala/story/over-rs-1000-crore-fraud-exposed-kerala-corporate-social-responsibility-fund-scam-2675784-2025-02-06 (last visited on Sep. 2, 2025).

[43] B Sivakumar, CSR Implementation Plagued by Corruption, Says Watchdog, *Fortune India*, 18 July 2023, available at: https://www.fortuneindia.com/macro/csr-implementation-plagued-by-corruption-says-watchdog/113417 (last visited on Sep. 3, 2025).

[44] Avantika Rai, Failure of CSR in India, *TaxGuru*, 11 October 2020, available at: https://taxguru.in/company-law/failure-csr-india.html (last visited on Sep. 3, 2025).

company to enhance their brand visibility and customer loyalty while circumventing the true purpose of CSR, which should focus on societal welfare without a profit motive.

d. **Misuse by Public Sector Undertakings:**[45] In 2013, the Central Bureau of Investigation (CBI) initiated an investigation into the National Aluminium Company Limited (NALCO) for the alleged misuse of Corporate Social Responsibility (CSR) and Public Distribution (PD) funds. This probe uncovered that NALCO's Chairman and Managing Director (CMD), Abhay Kumar Srivastava, along with his wife and two associates, were involved in accepting bribes in the form of gold bricks and cash. The findings included the seizure of over 10 kg of gold bricks valued at approximately ₹2.11 crore and cash amounting to ₹29.5 lakh from various locations associated with the accused.

e. **Greenwashing and CSR:**[46] **Greenwashing** is when companies falsely portray their products as environmentally friendly to boost their image, despite their practices not aligning with such claims. For instance, **Coca-Cola** has been accused of greenwashing by claiming to promote **water conservation**, while environmental reports, such as those from the **Centre for Science and Environment (CSE),** highlighted the negative environmental impact of its bottling plants, including excessive water usage. Companies creating a misleading impression to make consumers believe that they are supporting eco-friendly businesses which in reality they are exploiting the environmental concerns for marketing gain.

4 Recommendations and Way Forward

The mandate of Corporate Social Responsibility (CSR) imposes a commendable compliance obligation on corporates; however, it will truly be effective if the mandates are **implemented meaningfully in practice**. Mere legal obligation is not enough, genuine commitment and execution are essential for CSR to yield real social and developmental impact in the society. In

[45] Central Bureau of Investigation, CBI arrests NALCO CMD on charges of illegal gratification, *The Indian Express*, 25 February 2013, available at: http://archive.indianexpress.com/news/nalco-probed-for-misuse-of-csr-pd-funds/1026767/ (last visited on Sep. 3, 2025).

[46] Cristina A. Cedillo Torres, Mercedes Garcia-French, Rosemarie Hordijk, Kim Nguyen & Lana Olup, *Four Case Studies on Corporate Social Responsibility: Do Conflicts Affect a Company's Corporate Social Responsibility Policy?*, 8 Utrecht L. Rev. 51 (2012), available at: https://doi.org/10.18352/ulr.205 (last visited on Sep. 3, 2025).

this regard, the following recommendations can help strengthen the CSR framework and its execution:

a. **Strengthening of CSR Purpose**: Utilization of Corporate Social Responsibility (CSR) funds towards government projects undermines the original intent of CSR, which is to encourage companies to actively engage with and contribute to social and environmental development **independently and directly.** To truly realize the intended impact of CSR, it is essential that corporates go beyond symbolic gestures and embrace CSR as a core component of their operations.

b. **Ensuring Transparency and Accountability:** To uphold the integrity of CSR, it is crucial that companies **directly undertake and manage their CSR activities** in order to ensure clear documentation, public disclosure, and regular monitoring. Direct involvement allows for better tracking of fund utilization and impact assessment, thereby reinforcing trust among stakeholders and aligning CSR efforts with their intended social objectives.

c. **Promoting Integrity and Ethical Governance:** Redirecting the CSR funds to designated funds of the Government like PM Care Fund, not only undermine the purpose but limits the transparency and accountability as in this case the PM Care Fund, not falling under the purview of the Right to Information (RTI) Act, raises concern for preferential treatment and political influence, which need to be stopped.[47] To uphold the true spirit of CSR, it is essential that funds be allocated and utilized in a **fair, transparent, and apolitical** manner and the corporates maintaining full accountability for their contributions ensuring the intended social objectives without any external interference.

5 Conclusion

Corporate Social Responsibility (CSR) in India was initially intended to ensure that companies actively contribute to social welfare and environmental sustainability as it was done during the early regime of CSR. However, in practice, CSR has increasingly become a facade, as companies often exploit it for fraudulent purposes rather than engaging in meaningful social projects. Many corporations simply meet the legal requirements of CSR for publicity stunts or

[47] The Injeti Srinivas Committee Report , Ministry of Corporate Affairs. (2019). *Report of the High Level Committee on Corporate Social Responsibility – 2018*. Government of India. available at: https://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf (last visited on Sep. 3, 2025).

marketing strategies, undermining the true intent of CSR and eroding public trust in corporations.

One of the main reasons behind the misuse of CSR in India is the lack of stringent oversight and accountability mechanisms. While CSR laws mandate corporate contributions to social causes, the lack of transparency often allows companies to funnel funds into government-run schemes, without directly engaging with communities or addressing specific developmental needs of the society. Further utilizing the CSR funds for tax deductions companies often avoid their social responsibility. Additionally, Companies engaging in greenwashing, making false claims about their environmental efforts misleads the consumers and hinders genuine social change.

To combat the misuse of CSR funds and restore the integrity of the CSR framework, India must strengthen its regulatory mechanisms. Companies should be required to directly implement CSR initiatives and engage with local communities rather than just donating funds to government schemes or sham NGOs. Strict transparency measures, including detailed reporting on how CSR funds are used and the impact of projects, should be mandated in order to prevent the diversion of funds for fraudulent practices. Companies must be held accountable for the outcomes of their CSR activities, with penalties for non-compliance. The government should also ensure CSR efforts are spread across all regions to reduce disparities and promote inclusive development of all.

Moreover, companies should cultivate a culture of genuine responsibility, where CSR is seen as an opportunity to make a real difference in society, not just a means to avoid taxes or boost their public image.