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Corporate accountability and formalised corporate social responsibility: insights from India's energy public sector undertakings

Mallika Tamvada[a] and Onyeka Osuji[b]

[a]School of Law and Society, Bournemouth University, Poole, UK; [b]Essex Law School, University of Essex, Colchester, UK

ABSTRACT

Focusing on corporate accountability, this article offers conceptual and practical insights into the implementation of formalised corporate social responsibility (CSR) by large Indian public sector undertakings (PSUs) in the energy sector. Using a cross-case study approach, it examines how legislative and policy interventions, particularly the Companies Act 2013 and its subsidiary rules, supplanted earlier self-regulatory practices, shaping how PSUs – entities balancing profit motives with state ownership – approach CSR. Findings show that while stakeholder accountability is formally embedded, in practice disguised voluntarism persists, creating gaps in accountability and leading to suboptimal allocation of resources. CSR spending often remains concentrated in specific geographies and sectors, limiting wider social impact. The article argues that CSR in PSUs must evolve beyond compliance-driven spending toward transparent, accountable, and stakeholder-responsive practices. By unpacking tensions between state directives, corporate discretion, and community needs, it contributes to debates on strengthening CSR governance and ensuring socially impactful implementation.

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KEYWORDS Corporate accountability; corporate social responsibility; mandatory CSR; public sector undertakings; self-regulation

1. Introduction

The global debates on voluntarism and the relationship between law and corporate social responsibility (CSR), particularly in relation to corporate accountability, remain largely unsettled. On the one hand, governmental

CONTACT Mallika Tamvada mtamvada@bournemouth.ac.uk

interventions in an increasing number of jurisdictions[1] exist side by side with the predominant voluntarist notion of CSR in mostly non-law scholarship.[2] Even so, the spectrum of regulatory interventions includes disguised self-regulation at one end and command-and-control prescriptive regulation at the other extreme[3] or a combination of techniques.[4]

On the other hand, the role and utility of contextualism in CSR seems inconclusive.[5] There may be questions surrounding the application of the stakeholder model, including the recognition of certain stakeholders and how their interests can be advanced, and the subject matter of CSR, including the extent to which it can include traditional governmental functions. While countries such as India have attempted to resolve these debates by introducing substantive CSR provisions in company law,[6] an argument is that 'neither voluntary market-based approaches nor a grand legal framework on their own'[7] can effectively trigger appropriate practices. The effectiveness of regulatory interventions and the enforcement of their provisions may be far from certain, particularly, in developing and emerging countries.[8]

Against this backdrop, the utilisation of experiential methods in CSR studies can provide much needed clarity in conceptual, theoretical and policy debates by facilitating insights from 'beyond "the view from nowhere"' through the 'lived experience of real human beings' and 'thick descriptions and engagement with materiality'.[9] While there are emergent

[1]G Berger-Walliser and I Scott, 'Redefining Corporate Social Responsibility in an Era of Globalization and Regulatory Hardening' (2018) 55 American Business Law Journal 167.

[2]NA Dentchev, MV Balen and E Haezendonck, 'On Voluntarism and the Role of Governments in CSR: Towards a Contingency Approach' (2014) 24 Business Ethics: A European Review 378; E Garriga and D Melé, 'Corporate Social Responsibility Theories: Mapping the Territory' (2004) 53 Journal of Business Ethics 51; A Dahlsrud, 'How Corporate Social Responsibility is Defined: An Analysis of 37 Definitions' (2008) 15 Corporate Social Responsibility and Environmental Management 1.

[3]O Osuji, 'Fluidity of Regulation-CSR Nexus: The Multinational Corporate Corruption Example' (2011) 103 Journal of Business Ethics 31.

[4]JV Erp and others, 'Introduction: The Concept of Smart Mixes for Transboundary Environmental Harm' in JV Erp and others (eds), *Smart Mixes for Transboundary Environmental Governance* (Cambridge University Press 2019) 3.

[5]O Osuji, 'Corporate Social Responsibility, Juridification and Globalisation: "Inventive Interventionism" for a "Paradox"' (2015) 11 International Journal of Law in Context 265.

[6]A Afsharipour and S Rana, 'The Emergence of New Corporate Social Responsibility Regimes in China and India' (2014) 14 UC Davis Bus L J 175; AE McArdle, 'A Stick in the Global Carrot Patch: The Business of Corporate Social Responsibility in India's Companies Act 2013' (2015) 38 (2) Suffolk Transnational Law Review 467; S Gopalan and A Kamalnath, 'Mandatory Corporate Social Responsibility as a Vehicle for Reducing Inequality: An Indian Solution for Piketty and the Millennials' (2015) 10 Northwestern Journal of Law and Social Policy 34; DM Prasad, 'Companies Act, 2013: Incorporating Stakeholder Theory Approach into the Indian Corporate Law' (2018) 39 Statute Law Review 292.

[7]F Wettstein, 'Normativity, Ethics, and the UN Guiding Principles on Business and Human Rights: A Critical Assessment' (2015) 14 Journal of Human Rights 162.

[8]A Salmivaara, 'New Governance of Labour Rights: The Perspective of Cambodian Garment Workers' Struggles' (2018) 15 (3) Globalizations 329.

[9]ER Freeman and Michelle Greenwood, 'Letter from the Incoming Editors' (2016) 133 Journal of Business Ethics 1.

studies,[10] the need is underscored for 'continuous assessment of the success and development'[11] of the CSR implementation framework in India's Companies Act 2013.

This article examines India's implementation of legislated CSR through the lens of public sector undertakings (PSUs) in the energy sector. PSUs present a compelling case study due to their size, public ownership, and dual responsibility to both financial and societal goals. Also, while their CSR activities may be directed by the state, often resulting in investments concentrated in specific sectors, the PSUs may influence private sector practices, including the potential misallocation of CSR resources. Furthermore, their CSR activities are governed not only by the Companies Act but also by earlier Department of Public Enterprises (DPE) Guidelines, first issued in 2010 and revised in 2014. Although initially developed for PSUs, India's CSR framework was subsequently extended to other companies, making PSUs a useful starting point to assess implementation challenges.

The article investigates how these PSUs engage with mandatory CSR obligations from both a compliance and performance perspective. It analyses CSR expenditure trends from 2014 to 2023, capturing both pre- and post-COVID-19 dynamics, and examines how PSUs plan, execute, and evaluate CSR activities. The findings suggest that, while formal compliance is largely achieved, CSR implementation is often characterised by sub-optimal resource allocation, driven by fragmented and weakly prioritised strategies that fail to align with stakeholder needs. These patterns raise questions about the effectiveness of India's CSR framework in ensuring meaningful social outcomes.

Focusing on corporate accountability, this article offers conceptual and practical insights into the activities and performance of large PSUs in a mandatory CSR regime. By identifying strengths and gaps in India's statutory framework, the article highlights the factors influencing both legal compliance and discretionary social engagement. Through a cross-case study, the article provides a multi-dimensional understanding of CSR in practice and explores causal pathways shaped by legislative and policy initiatives that have supplanted a purely self-regulated model. This approach enables a deeper examination of how, what, and why PSUs and potentially other companies undertake CSR activities mandated by law.

Following the conceptual and theoretical analysis in the next section, the article sets out the case study methodology used to investigate CSR

[10]N Subramaniam, M Kansal and S Babu, 'Governance of Mandated Corporate Social Responsibility: Evidence from Indian Government-Owned Firms' (2017) 143 Journal of Business Ethics 543; N Mitra and R Schmidpeter (eds), *Corporate Social Responsibility in India: Cases and Developments After the Legal Mandate* (Springer 2017); A Jumde, 'The Law on CSR in India: An Analysis of Its Compliance by Companies Through Corporate Disclosures' (2021) 21 Journal of Corporate Law Studies 253; A Jumde and J du Plessis, 'Legislated Corporate Social Responsibility in India: The Law and Practicalities of Its Compliance' (2022) 43 Statute Law Review 170.

[11]A Singh-Jumde and N Kumar, 'Compliance and Enforcement Challenges Under India's CSR Law' (2022) 23 Australian Journal of Asian Law 41.

processes and practices in large PSUs, drawing on field interviews, company reports, and content analysis. The results section presents findings on CSR planning, structure, implementation, and expenditure, offering an in-depth view of how PSUs select and execute CSR programmes. This is followed by a discussion of these findings in relation to India's legislative framework. The article concludes with recommendations for strengthening the effectiveness and impact of CSR regulation in order to enhance corporate contributions to social development.

2. Legislating CSR implementation

2.1. Institutionalisation of CSR

Businesses and their responsibilities towards society are believed to be 'an age-old and time-tested concept'[12] in India. The Vedic principles of *sarva loka hitam*, *Dharma* and *Karma*, which are at the roots of the country's intellectual history, apply with the expectation that businesses should be managed with the intention of doing good and giving back to society.[13] Empirical evidence shows that CSR activities and disclosures in India have largely been driven by philanthropic initiatives undertaken by large corporations.[14] This is consistent with the assertion that corporate philanthropy is 'traditionally … a form of'[15] CSR, confirming the relevance of institutional circumstances in the contextualist account of CSR practices.

Nonetheless, concerns about the impact of a largely voluntary and strategic approach to CSR on the structure of delivering, and accountability for discharging, corporate social obligations prompted India's government to opt for a more formalised approach to instilling the spirit of CSR in businesses. From the beginning of the twenty-first century, a focus on corporate social engagement became evident as a government policy, although conceptual uncertainty has continued to pose significant challenges for accountability. For instance, the Prime Minister's Ten Point Social Charter 2007 includes the role of business in society with CSR being 'defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions.'[16] The Charter, which encourages businesses to be 'role models of probity, moderation and

[12]M Tamvada, 'The Dynamics of CSR, Mandatory CSR Laws, and Corporate Social Performance in India' in O Osuji, FN Ngwu and D Jamali (eds), *Corporate Social Responsibility in Developing and Emerging Markets: Institutions, Actors and Sustainable Development* (Cambridge University Press 2019) 168.
[13]ibid.
[14]M Kansal and others, 'Reporting of Corporate Social Responsibility in Central Public Sector Enterprises: A Study of Post Mandatory Regime in India' (2018) 151 Journal of Business Ethics 813
[15]MU Boodoo, I Henriques and BW Husted, 'Putting the "Love of Humanity" Back in Corporate Philanthropy: The Case of Health Grants by Corporate Foundations' (2022) 178 Journal of Business Ethics 415.
[16]M Singh, 'The Ten-Point Social Charter' (*Outlook India*, 23 May 2007) <www.outlookindia.com/website/story/the-ten-point-social-charter/234710> accessed 12 March 2024.

charity'[17], refers explicitly to philanthropic contributions towards poverty eradication, slum area development, skill development, employability and other public governance matters.

Subsequently, the Ministry of Corporate Affairs' (MCA) Voluntary Guidelines for Corporate Social Responsibility (Voluntary CSR Guidelines 2009) became the first formal statement of CSR practice in India.[18] In 2011, the MCA replaced the Voluntary CSR Guidelines 2009 with a more comprehensive set of guidelines embracing social, environmental and economical responsibilities[19] called the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs). Designed to support corporate development of financial and business objectives in consideration of stakeholders' interests, the NVGs contain nine principles to enable all types and sizes of business to conduct their affairs more responsibly and to positively impact the environment and society.

The NVGs co-existed with the Department of Public Enterprises' (DPE) Guidelines on CSR for Central Public Sector Enterprises (CPSEs) introduced in 2010 and revised in 2014. The DPE Guidelines define CSR as a concept through which organisations assume responsibility for their impacts on stakeholders like customers, employees, communities, and environment throughout their operations in a sustainable manner.[20] Furthermore, the 2012 Business Responsibility Reporting Framework of the Securities Exchange Board of India (SEBI) required major listed companies to disclose their responsible business practices to their stakeholders.

Thus, India's CSR definitions lack consistency and the voluntary nature of the instruments practically resulted in modest proactive contributions with businesses either completely abandoning CSR or severely underfunding it. The expenditure patterns in the period[21] suggest that businesses were generally reluctant to spend on CSR voluntarily. The low level of CSR spending could also be traced to lack of clarity regarding reporting or disclosure obligations. The DPE Guidelines, for example, were criticised for tending to 'impart a generic conceptual orientation and assistance in planning, implementation and monitoring of the CSR projects.'[22] Moreover, since knowledge of ideally effective ways to approach CSR was not shared with businesses,[23] they resorted to age-old philanthropy methods.[24] Overall, it was not easy to link

[17]ibid.
[18]CS Rupanjana, *Corporate Social Responsibility Law, Accounting and Taxation Aspects* (2nd edn, Bloomsbury Publishing India 2018).
[19]ibid; S Deva, 'Socially Responsible Business in India: Has the Elephant Finally Woken Up to the Tunes of International Trends?' (2012) 41 Common Law World Review 299.
[20]Department of Public Enterprises, Guidelines on Corporate Social Responsibility for Central Public Sector Enterprises (2010).
[21]A Verma and CV Kumar, 'An Analysis of CSR Expenditure by Indian Companies' (2014) 7 Indian Journal of Corporate Governance 82.
[22]Kansal and others (n 14).
[23]Rupanjana (n 18).
[24]Tamvada (n 12).

transparency and accountability to CSR. Consequently, India's government decided to take 'proactive and bold measures to encourage companies to be socially responsible'[25] through the CSR implementation provisions in the Companies Act 2013, the Companies (Corporate Social Responsibility Policy) Rules 2014 and the sector specific 2014 Guidelines which provide broad guidance for assessing needs and procuring CSR activities.

2.2. CSR implementation provisions

Section 135 of the Companies Act 2013 requires companies having a net worth of INR 500 crores or more, turnover of INR 1000 crores or more, or net profit of INR 5 crores[26] or more during any financial year to spend at least two percent of their average profits (calculated based on the average net profits of the preceding three financial years) towards CSR activities listed in Schedule VII of the Act. The focal matters in Schedule VII include eradication of extreme hunger and poverty, promoting education, reduction of child mortality, improvement of environmental sustainability, promotion of gender equality through women empowerment, rural development, sanitation, skills development, healthcare, drinking water and infrastructure. As Table 2 below shows, the statutory focal matters influenced the thrust areas for CSR activities of PSUs.

Given the broad construction of CSR, concerns about accountability may, however, arise. While the Companies Act 2013 does not define CSR, Rule 2(c) of CSR Rules 2014 provides that CSR 'means and includes' the activities listed in Schedule VII and associated projects and programmes. Only political donations are specifically excluded by s 182 of the Act and Rule 4(7) of the CSR Rules 2014.

Moreover, accountability to stakeholders is an issue under s 135, which provides corporate governance structures for CSR implementation. A CSR Committee within the Board of Directors is required to initiate and monitor the implementation of CSR policies, recommend CSR activities and assist the Board in exploring strategies for CSR projects and programmes. Rule 6 of the CSR Rules 2014 specifically requires the inclusion of monitoring processes for projects and programmes in CSR policies. Evidently, the statutory approach is that the selection of activities, budget and other resources are at the Board's sole discretion. Given that such voluntarism embeds discretion, there is the question of accountability for effective discharge of responsibilities associated with planning for, investing in and implementing CSR projects and activities.

The stakeholder accountability issue is not addressed in the DPE Guidelines 2014, which require impact assessments of completed CSR projects[27] as a final check to see if funds have reached the correct beneficiaries. Once

[25]Deva (n 19).
[26]1 crore = £100,000 approximately.
[27]Department of Public Enterprises, Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (2014); Rupanjana (n 18).

impact assessments are concluded, Rules 8 and 9 of the CSR Rules 2014 require reports of CSR activities in corporate annual reports and on websites. Given that there is no requirement of stakeholder or third-party involvement and the company itself undertakes impact assessments of projects, reliability of reports may be an accountability issue, including when non-compliance or irresponsible behaviour exists. When business organisations act independently of external stakeholders such as local communities in promoting the latter's interests, the resultant 'undemocratic'[28] community development projects are not necessarily beneficial to the stakeholders who are detached from and marginalised in decision-making processes that primarily affect them.[29]

Furthermore, there is no requirement of, or reference to, involvement of stakeholders such as local communities, in the provisions for CSR implementation vehicles. Rules 4(2) and 4(3) of the CSR Rules 2014 provide that companies can implement CSR activities on their own, through their own non-profit foundations or holding, subsidiary or associate companies, by partnering with registered NGOs working independently and having experience in implementing similar activities for not less than three years, or through collaboration with other companies with separate reporting obligations. While it is useful to encourage pooling of resources and expertise in CSR activities, the omission of intended stakeholders beneficiaries is telling. Since the legal requirement is limited to minimum spending towards any of the activities broadly specified in Schedule VII of the Companies Act, meeting the actual needs of society may be questionable in the circumstances.

While there are no provisions for addressing non-compliance in the CSR Rules 2014, the Companies (Corporate Social Responsibility Policy) Amendment Rules 2019 (CSR Amendment Rules 2019) stipulate a financial penalty of between INR 50,000 (approximately £542) and INR 2.5 million (approximately £21,666) for companies when the minimum spending level is not met and imprisonment for up to three years, a fine of between INR 50,000 (approximately £542) and INR 500,000 (approximately £5,417) or both imprisonment and fine for corporate officers. The seriousness of these penalties has been diluted, firstly, by s 135(5) of the Companies Act that allows the minimum CSR spending responsibility to be discharged through 'comply or explain'.[30]

Another factor is the singular legislative focus on the amount of CSR spending with little attention on stakeholder needs and social impact. This is confirmed by a subsequent amendment of s 135(5) by s 21 of the Companies (Amendment) Act 2019 which requires CSR funds not utilised for CSR activities

[28]SB Banerjee, 'Corporate Social Responsibility: The Good, the Bad and the Ugly' (2008) 34 Critical Sociology 51.
[29]R Derry, 'Reclaiming Marginalized Stakeholders' (2012) 111 Journal of Business Ethics 253; K Bondy and A Charles, 'Mitigating Stakeholder Marginalisation with the Relational Self' (2020) 165 Journal of Business Ethics 67; R Derakhshan, M Mancini and JR Turner, 'Community's Evaluation of Organizational Legitimacy: Formation and Reconsideration' (2019) 37 International Journal of Project Management 73.
[30]Tamvada (n 12).

within three years to be allocated to an Unspent Corporate Social Responsibility Account or to any funds listed in paragraph vii of Schedule VII (including the Prime Minister's National Relief Fund and the Prime Minister's Central Assistance and Relief in Emergency Situations Fund). A slight hint at accountability is provided in both paragraph 5 of and annexure to the Companies (Corporate Social Responsibility Policy) Amendment Rules 2022, which require companies to disclose in annual reports and on their websites: weblinks to approved CSR projects, executive summaries of and weblinks to impact assessments, and details of spent and unspent CSR amounts.

3. Research method

Our study delves into the complex world of CSR implementation within PSUs. Rather than relying on numbers and statistics alone, we opted for a mix of qualitative and quantitative approaches, including in-depth interviews with senior managers to understand the nuances of the implementation process from their perspective and not just rely on any public information available. This method was adopted for exploring intricate social phenomena, enabling us to capture complexities and ambiguities that are beyond quantification. Out of approximately 263 PSUs that exist in India, 28% are in infrastructure development, 25% in the energy sector, 15% in financial services, 12% in the manufacturing sector, and 20% are in other sectors (eg, telecommunications).[31] Our research focuses largely on India's energy sector, 60% of which are PSUs, due to its inherent impact on environment and social life. These PSUs therefore present a suitable case study of CSR accountability and stakeholder needs. The study examines pre-, during- and post-Covid periods, focusing on energy sector PSUs operating across all parts of India.

The study has been undertaken in two stages. For stage 1, the article presents an in-depth case study of the CSR expenditure patterns of 22 leading PSUs (listed in Table 1) between 2014–2023 that represent the population of large companies owned by India's central and state governments and operating in the energy sector. It covers the pre-Covid period (2014–2019) that serves as a critical baseline to examine CSR expenditure patterns during and after the pandemic (2019–2023) by the Indian energy sector PSUs. The focal PSUs identified through purposive sampling based on public availability of CSR-related data operate in the energy sector that interfaces directly with local communities and other stakeholders. As 25% of the 263 PSUs (= 66 PSUs) are in the energy sector, a sample size of 22 is nearly one-third of the sector's PSUs.

Information on the design and strategies for CSR activities over nine years were collected from company reports posted online and triangulated to

[31] Integrated Government Online Directory: Union Government: PSUs/JVs/Companies/Societies (igod.gov.in). PSU Companies in India | List of Public Sector Undertakings - PSU Connect <www.psuconnect.in/psu-companies-in-india> accessed 8 August 2025.

Table 1. Focal PSUs.

	PSU	Sector
1.	Bharat Petroleum Corporation Ltd	Oil and Gas
2.	Central Coalfields Limited	Coal-Based Energy
3.	Chennai Petroleum Corporation Limited	Oil & Gas
4.	Coal India Ltd	Coal-Based Energy
5.	Eastern Coalfields Ltd	Coal-Based Energy
6.	Gail (India) Limited	Oil & Gas
7.	Hindustan Petroleum Corporation Ltd	Oil and Gas
8.	Indian Renewable Energy Development Agency Limited	Renewable Energy
9.	Indian Oil Corporation Ltd	Oil & Gas
10.	Nhpc Limited	Power & Renewable Energy
11.	Nlc India Limited	Power & Renewable Energy
12.	North Eastern Electric Power Corporation Ltd	Coal-Based Energy
13.	Northern Coalfields Limited	Coal-Based Energy
14.	Ntpc Limited	Power & Renewable Energy
15.	Nuclear Power Corporation of India Limited	Power & Renewable Energy
16.	Oil India Limited	Oil & Gas
17.	Oil And Natural Gas Corporation Limited	Oil and Gas
18.	Power Grid Corporation of India	Power & Renewable Energy
19.	Sjvn Limited	Power & Renewable Energy
20.	Solar Energy Corporation of India Limited	Power & Renewable Energy
21.	Thdc India Limited	Power & Renewable Energy
22.	Western Coalfields Limited	Coal-Based Energy

enhance research reliability. Triangulation was undertaken by utilising CSR reports and other external sources of information on the companies' social responsibility behaviour for investigating and bridging the corporate accountability gap in the real world. Research findings were also validated with reference to government CSR-related reports, the DPE Guidelines and the provisions of the Companies Act 2013 and CSR Rules 2014. Using content analysis of reports on CSR policies and spending, the allocation of funds across different thrust areas and geographic regions was examined, initially to understand how PSUs select and execute CSR activities. Through this analysis, the impact of legislative provisions on CSR performance was also investigated, to highlight positive developments as well as key challenges and limitations related to corporate accountability.

For the second stage, a field study was conducted to understand CSR-related corporate behaviour, including strategies and planning for CSR activities and projects, by interviewing senior executives from those companies that agreed to participate from among the 22 PSUs approached. The interviewees held senior positions, including CSR executive directors and designated CSR managers, all deeply involved in CSR policy and implementation. There were multiple visits to the respective head offices and regional headquarters of the PSUs and the villages where the PSUs were delivering CSR activities which, in particular, provided initial insights into their decision-making processes and overall approach to implementing the CSR legal provisions.

Face-to-face interviews were conducted over six months in the main offices of the companies. We approached each interview with an open mind,

allowing flexibility for new themes and perspectives. Discussions started with key CSR projects and evolved to cover CSR management structures, service delivery processes and implementation challenges. Of the 22 PSUs in the sample, senior executives from the 11 that responded were interviewed. To broaden the perspective, we employed a 360-degree interview approach and contacted the organisations implementing CSR initiatives on behalf of PSUs, which are primarily not-for profit non-governmental organisations (NGOs). Nine NGOs agreed to discuss their perspectives via interviews with senior role holders like directors and senior managers. The interview questions are summarised in Table A1. The NGOs were engaged to gain supplementary perspectives rather than as primary research subjects. Additionally, the NGOs were involved to provide diverse perspectives on CSR implementation, given their direct community engagement and operational insights. The interviews typically lasted between 50 and 90 min and were recorded with detailed field notes and document collection.

For the third stage, the CSR processes and practices of the PSUs were examined using desk research, drawing on data collected from the interviews, company reports and content analysis of information on CSR activities over the study period. These were triangulated to increase reliability through other external sources of information for tracking the companies' CSR behaviour to demonstrate the persistence or otherwise of corporate accountability gaps following the formalised CSR provisions. State-wide data on CSR activities and expenditures in each of the thrust areas in the financial year 2014–2023 were collected from the PSUs before considering their reports on overall expenditure between 2014–2023 for all thrust areas and each thrust area. It should be noted that the 'Across India' category was excluded from the state-wise CSR analysis due to a lack of disaggregated data on fund allocation and utilisation. This ensured that only verifiable and geographically attributable data were included in the analysis. The study was undertaken to track the spending allocation of funds across different thrust areas and geographic regions while using government reports on CSR, the DPE Guidelines and relevant legislative provisions to validate findings.

4. Empirical results

4.1. Stage 1

4.1.1. Pre-Covid (2014–2019)

As the above analysis of the legislative provisions shows, corporate accountability in this study requires, firstly, the consideration of the extent to which the PSUs complied with the legislative provisions and expectations on project formulation, focal areas, implementation vehicle and expenditure.

a. *Project Formulation*

Following the DPE Guidelines, the starting point for the PSUs' CSR activities was mainly proposals originating from the central or local governments and their agencies, village administration bodies or the company itself. As reflected in their CSR reports, the PSUs carried out activities in the form of projects of various stages, including procuring, implementation and impact assessment. When CSR projects were identified through proposals, the PSUs would carry out baseline surveys to assess the actual needs highlighted in the proposals and determine the project costs. Once decisions are made on proposals and accepted, companies start to plan for implementation. Figure 1 depicts the standard project cycle that includes the initiation of proposals and needs assessments.

b. *Focal Areas*

As indicated above, the CSR thrust areas under the Companies Act 2013 are more focused on developmental needs of society and not individual stakeholders. In accordance with the legislation, the PSUs' CSR policies mostly emphasised the development of areas and communities around their establishments. The details of activities to be undertaken and the amount of money to be spent along with the modalities for their execution and implementation were disclosed on the companies' websites. Table 2 describes a sample of the PSUs' activities in some thrust areas.

c. *Implementation Vehicle*

In addition to the persons mentioned in Rule 4(2) of the CSR Rules 2014, Figure 1 shows the involvement of government bodies in both project formulation and implementation. The company reports suggested that most CSR activities were carried out through consultancy or state administration routes. After completing the baseline studies, a typical company would plan the budget allocation and timeline for projects. The design and costs of in-house projects were prepared within the company, and corporate

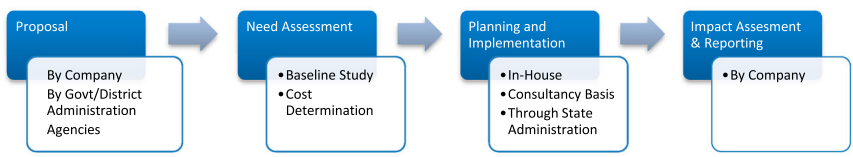

Figure 1. CSR project formulation and implementation.

Table 2. Thrust areas of CSR activities.

Thrust Area Description			
Area	Activities	Area	Activities
Education	Additional Class Rooms Construction	Healthcare	Ambulances To Government Hospitals
	Facilitating Computer Education To Rural Poor		Blood Donation Camps
	Infrastructure Support		Diagnostic Facilities
	Primary School Teacher Programme		Free Medical Camps
	Providing School Furniture		Health Awareness Programs
	Repairing School Buildings		Providing Beds In Hospitals
	Scholarships		Subsidised Treatments
	Special Mentoring For Underprivileged		Supply Of Medical Equipment
	Supply Of Desk And Benches At Government Schools	Rural Development	Building Roads, Bridges, Community Centers
Environment Sustainability	Installation Of Solar Lights		Construction Of Public Stages, Auditorium, Libraries
	Limit Emission Of Greenhouse Gases		Developing Lecture Halls, Waiting Sheds, Playgrounds
	Paper Recycling		Rural Infrastructure
	Plantation		General Nursing And Midwifery Trainings
	Promoting Energy Conservation	Skill Development	Handicraft Training
	Rainwater Harvesting		Training Centers
	Reducing Carbon Emissions Through Use Of Renewable Energy		Training Of Weaving, Cutting And Tailoring
			Training Through Agencies For Underprivileged
	Restoration Of Water Bodies	Water and Sanitation	Construction Of Tube Wells, Bore Wells, Hand Pumps, Pond, Water Tanks
	Watershed Management		
Government Schemes	Clean Ganga Fund		Creation And Maintenance Of Toilets And Associated Sanitation Facilities
	Pradhan Mantri Ujjwala Yojana		
	Swach Bharat Abhiyan		Drinking Water Facilities
	Swach Vidyalaya Abhiyaan		Towards Swachh Bharat Abhiyan
			Waste Management Initiatives

officers would carry out the execution and monitoring. Projects on a consultancy basis would usually be outsourced to government-owned organisations such as Ircon Infrastructure & Services Limited (IrconISL), HLL LifeCare Ltd and HSCC (India) Ltd, and state administration or government agencies such as the Public Works Department of India (PWD). Rural engineering departments and district rural development agencies would be engaged through a memorandum of understanding for implementing projects they initiated. Nonetheless, the company would solely undertake final checks on the impact of CSR activities.

d. *Expenditure*

Since an essential component of the CSR provisions in India's company law is the allocation of a proportion of profits to CSR activities, the expenditures by the PSUs for CSR activities state-by-state (Figure 2) and in each of the thrust areas (Figure 3) in the financial years 2014–2019 are detailed below. Figures 4 and 5 show the overall expenditures in different thrust areas and for each thrust area between 2014–2019.

Figure 2 shows that the CSR contributions of the PSUs were mostly in Andhra Pradesh, followed by Assam. The amount of CSR contributions made for these two states and the states of Orissa and Gujrat exceeds the contributions made in all other states put together. A major proportion of expenditure in Andhra Pradesh was on poverty eradication and the combined expenditure in all other states for this thrust area was less than half of what was spent there. In Assam and Orissa, the PSUs mostly contributed towards education. By contrast, most of the CSR funds in Gujrat were spent on arts, culture and heritage. The expenditures in other states were mainly focused on education, health, water and sanitation, although there were little or no CSR projects in Punjab, Sikkim, Nagaland, Mizoram, Manipur and Goa. Thus, disproportionately focusing on a few states,[32] the PSUs largely overlooked key thrust areas such as rural development, sustainable livelihood, community development, gender equality and eradication of hunger, poverty and malnutrition, particularly, in poorer states like Bihar and Jharkhand.

As Figure 3 shows, the overall expenditure of the PSUs in the financial years 2014 to 2019 increased substantially in CSR investments after the financial year 2014–2015. The 2019 investments were 70% more than in the financial year 2014–2015, suggesting a significant rise in CSR investments after the enactment of the Companies Act 2013.

Figure 4 shows that the PSUs allocated nearly 79% of all the CSR funds to education, water and sanitation, healthcare, environmental

[32] Jumde and Du Plessis (n 10).

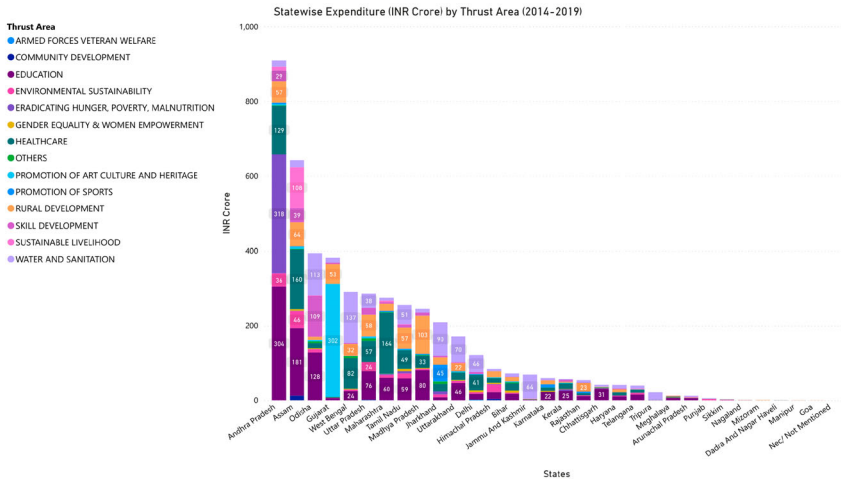

Figure 2. Statewise CSR expenditure.

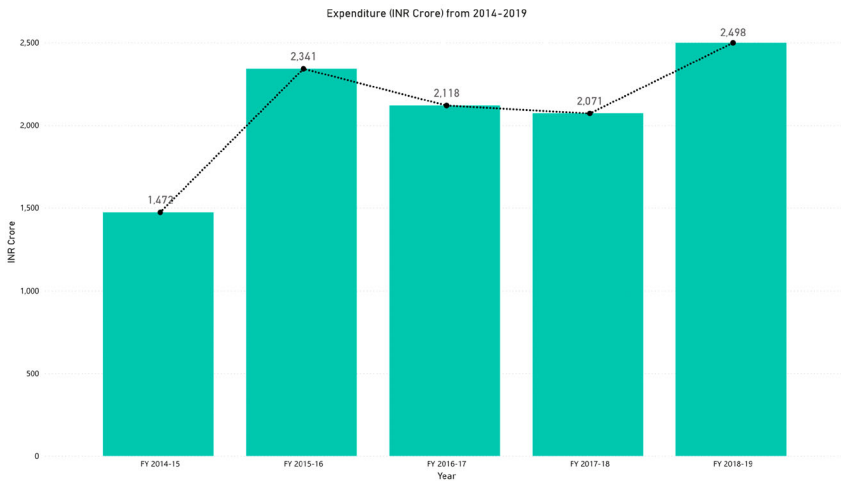

Figure 3. Overall CSR expenditures 2014–2019.

sustainability, rural development and government projects. All other thrust areas received about 21% of the CSR expenditures with sustainable livelihood, gender equality and community developments receiving below 2%.

Figure 5 suggests that the CSR investment patterns are nearly random across years. In the 2014–2015 financial year, the focus was mainly on education and environmental sustainability. In contrast, in 2015–2016, the PSUs invested primarily in water and sanitation and significantly less in other thrust areas. In 2016–2017, the majority of CSR expenditure was

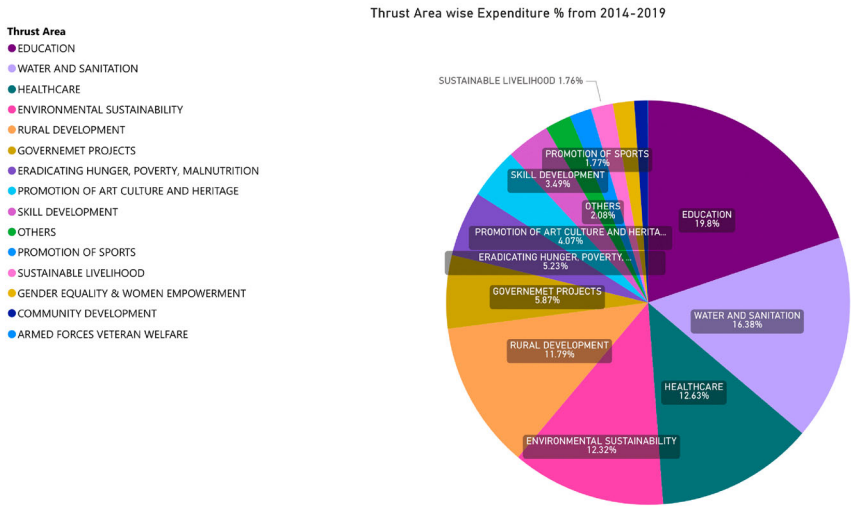

Figure 4. Overall CSR investments in thrust areas.

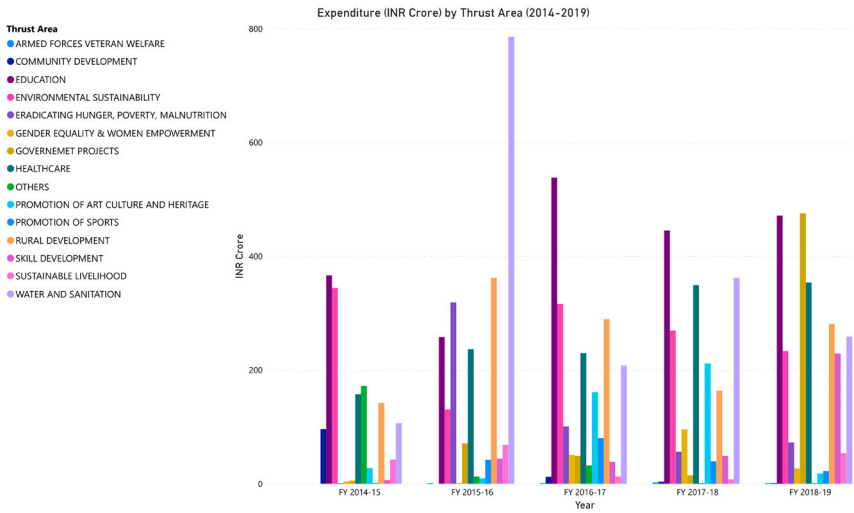

Figure 5. Annual CSR expenditure by thrust area.

directed towards education, while spending for water and sanitation dropped sharply compared to the previous year. Increased investment in healthcare, water and sanitation was noticeable in 2017–2018, with education receiving the most significant proportion of the expenditures. In 2018–2019, investments in government projects increased dramatically. In all the years under review, gender equality, community development and sustainable livelihood attracted little or no CSR funding.

Overall, between 2014–2019 the PSUs' mainly allocated CSR funds to education, water and sanitation, healthcare, environmental sustainability and rural development, while comparatively little was spent on other thrust areas such as sustainable livelihood, community development and gender equality.

4.1.2. During and post-Covid (2019–2023)

The following Figures 6–8 present CSR expenditure trends during the financial years 2019–2023.

Looking at the expenditure trend for CSR of the 22 PSUs across various thrust areas and states from 2019–2023, Figure 6 shows that CSR contributions of these PSUs were mostly in Maharashtra and Assam, followed by Delhi and Odisha. A major proportion of the CSR expenditure in those four states was focused on the thrust area of health, with education coming second. The combined expenditures in all other states were less than half of what was spent in the four states, suggesting a similar pattern to the pre-Covid-period of consistently high allocations to some states while other states hardly received CSR investments.

A breakdown of spending across thrust areas in Figure 7 reveals that healthcare (23.72%), education (18.97%) and government projects (15.88%) held the largest shares of total expenditure. In contrast, sectors such as environmental sustainability (6.39%), rural development (5.73%), water and sanitation (5.1%), and skills development (4.7%) received relatively smaller proportions of funding while promotion of arts and culture received 6.32% of all CSR funding – almost a similar amount to allocation for environmental

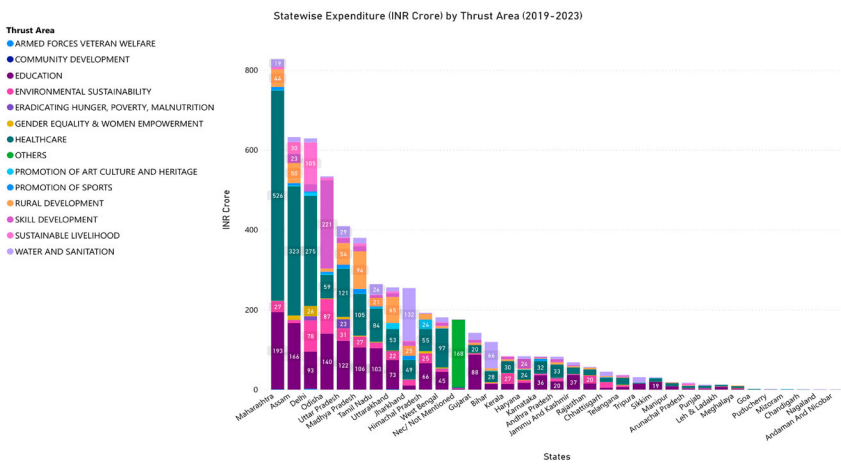

Figure 6. Statewise CSR expenditure 2019–2023.

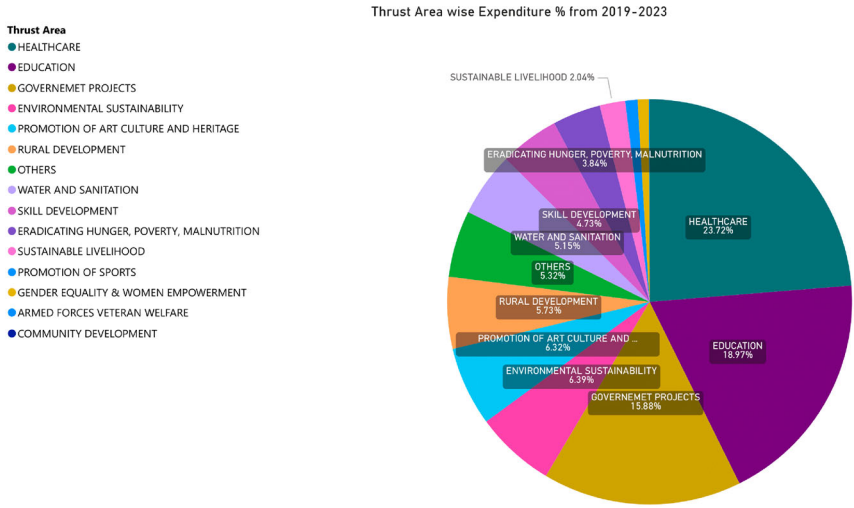

Figure 7. Overall CSR investments in thrust areas 2019–2023.

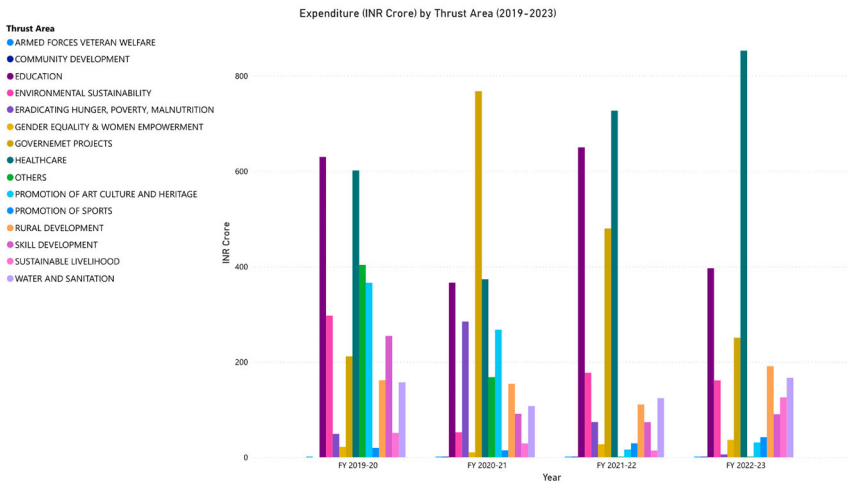

Figure 8. Annual CSR expenditure by thrust area 2019–2023.

sustainability. This disparity suggests that while government-led projects form a significant share of the allocation and companies focused on health and education during and even after Covid, several supposedly priority areas for the energy sector received less funding than thrust areas like arts and culture.

The yearly expenditure trends in Figure 8 show that healthcare spending witnessed a substantial increase, particularly in the 2021–2022 and 2022–2023 financial years, and suggest that the PSUs were sensitive to the challenges

posed by the external environment and the Covid pandemic. Figure 8 also indicates that CSR investment patterns appeared inconsistent across different financial years, lacking a clear strategic direction. While in the 2019–2020 financial year, the primary focus was on education and healthcare, a dramatic rise in 2020–2021 in investments in government projects overshadowed other crucial areas. In contrast, other thrust areas, particularly environmental sustainability, saw significantly less CSR funding. In the 2021–2022 and 2022–2023 financial years, healthcare spending witnessed substantial growth, indicating an increased focus on pandemic-related interventions. Meanwhile, education and government projects emerged as secondary priorities for CSR expenditures during this period.

In terms of cumulative year-on-year CSR expenditures, environmental sustainability received significantly less allocation than government projects and education. This underscores the need for a more balanced allocation system to ensure that the energy sector PSUs align their CSR investments with mitigating the potential impacts of their operations, in accordance with the nature of their impact.[33]

4.2. Stage 2

Interviews conducted focused on CSR expenditure, project selection, the need for continuous monitoring and assessment of the projects, and the selection of implementation partners/stakeholders. Table A1 summarises the questions put to senior executives (senior manager and above) working in the corporate governance or CSR departments of the PSUs.

The majority of interviewees noted that whilst no set mandate for CSR activities existed, the Board's involvement in plans for CSR activities presented on an annual basis at Board meetings was significant. For instance, R1 stated: '*The Board decides everything*' and R7 stated: '*The Board recommends the projects that the CSR team should focus -- it is not necessarily based on what is needed out there but what is of priority to the company*.' The meetings also presented opportunities to seek approvals of CSR policies and procedures, facilitating the implementation of the CSR mandate.

According to interviewees, sometimes CSR activities were initiated at the request of government agencies. For example, R2 said: '*A PSU is a government company so it is natural that government has a role in suggesting what CSR activities we should do*.' This demonstrates that government has a significant say in the CSR activities of companies subject to the formalised provisions.

Interviewees further revealed that most PSUs focused on spending the budget statutorily allocated for CSR activities. For instance, R3 stated: '*We*

[33]M Tamvada, 'Corporate Social Responsibility and Accountability: A New Theoretical Foundation for Regulating CSR' (2020) 5 International Journal of Corporate Social Responsibility 2.

have to meet the targets set out by the Act and it is sufficient if the spending is into any of the allowed activities' and R9 said '*There is a set of things we are allowed to spend on but the Act does not specifically ask the company to allocate as per the needs of stakeholders – it can spend on any of the areas allowed by the Act*.' These views confirm that the lack of a specific requirement making it a necessity to allocate a proportion of budgets to activities linked to stakeholders directly impacted by corporate operations can result in random allocation of CSR spending.

Information shared in interviews also highlighted that most implementation partners/stakeholders were NGOs, leaving no room for involving local communities in CSR projects implementation. As R11 said: '*We directly work with NGOs to deliver CSR – they act as the intermediaries between the company and the community*.' In addition to confirming the NGO-based subset of CSR analysis,[34] this observation demonstrates the marginalisation of local communities in the PSUs' CSR projects implementation.

When asked about how the PSUs were monitoring CSR projects, based on outputs or outcomes produced, almost all of the interviewees indicated that there were formal mechanisms to monitor progress against the objectives of CSR projects being implemented but noted a significant scope for variability in how the progress could be tracked. For example, R8 said: '*We track the progress of the projects*' while R10 said: '*We rely on the reports from the NGOs.*' These responses show that CSR accountability can be improved by establishing monitoring mechanisms for CSR implementation and setting key performance indicators (KPIs).

To identify trends, nine NGOs/implementation organisations primarily involved in supporting PSUs in CSR projects were interviewed. A senior manager or director of each NGO was interviewed to shed light on the dynamics of the relationship between NGOs and PSUs in the context of CSR projects. A key finding from the interviews is that the PSUs have a significant role in driving and controlling the CSR projects mandate despite the NGOs' primary focus on specific areas of CSR activities. As R15 said, '*The company officers determine everything-where to invest and what we should do.*'

Thus, the PSUs wielded considerable influence in the formulation of CSR projects, determining focal areas, and shaping overall project goals. The influence could be traced to each PSU's desire to align CSR project objectives with broader CSR goals established at the organisational level. This suggests a centralised decision-making process where PSUs played a pivotal role in shaping the direction and scope of CSR initiatives.

Interestingly, while the NGOs maintained regular interactions with local communities, these communities had limited involvement in the

[34]V-P Sorsa and M Fougère, 'Toward Political Explanation of Change in Corporate Responsibility: Political Scholarship on CSR and the Case of Palm Oil Biofuels' (2021) 60 (8) Business and Society 1895.

CSR projects implementation. The interviews showed that PSUs did not exhibit an inclination towards engaging local communities in the execution of CSR initiatives. For instance, R19 said: '*The community is the beneficiary and we engage with it but the community is not directly involved in decision-making*.' This raises questions about the extent to which CSR projects are rooted in the needs of the communities they should aim to benefit.

Nonetheless, the PSUs appeared to maintain a consistent level of communication with NGOs to discuss the progress of CSR projects. However, it is noteworthy that NGOs were not required or prompted to report on specific CSR project KPIs to the PSUs. This indicates a potential gap in the monitoring and evaluation framework, as the absence of formal reporting mechanisms may hinder an effective assessment of CSR project outcomes and impact.

In summary, the interviews showed that the PSUs exerted significant influence on CSR project decision-making, while focusing on alignment with organisational CSR goals. The limited involvement of local communities in project implementation and the absence of formal reporting on project KPIs suggest areas for improvement to promote the effectiveness and inclusivity of CSR initiatives. Thus, the initial findings in Stage 1 of the study are in alignment with the interviewees' responses in Stage 2.

5. Discussion

One of the positive impacts of the formalised implementation provisions is increased CSR spending. As Figure 3 shows, the PSUs' overall CSR spending has increased over time since the enactment of the Companies Act 2013. In addition to the marked growth in CSR investments as compared to the period before the Act,[35] the companies were investing in some thrust areas envisaged in Schedule VII.

Nonetheless, disguised voluntarism in the legislative framework is potentially problematic for the accountability required for implementing CSR. A striking example is the impact assessment requirement. As discussed, companies are required to undertake post-project completion impact assessments and disclose them in annual reports. The PSUs' annual reports showed that, although CSR planning and implementation would normally be undertaken in consultation with government agencies, the companies alone would conduct the final check and report on the impact of projects and programmes. Interviewees highlighted that local communities and other stakeholders to whom accountability for CSR should be owed were usually excluded in the formulation and implementation processes. Other tricky

[35]Verma and Kumar (n 21).

situations arising from disguised voluntarism and pseudo-accountability are discussed below.

5.1. Where and what of CSR spending

There was little room for stakeholder engagement, a crucial component of accountability in CSR, in the PSUs' CSR activities and implementation. On average, most PSUs invested in few states and thrust areas. The geographical and subject concentration of CSR projects were evident despite the apparent heterogeneity and spread of local communities of the PSUs' operations. Ideally, the stakeholder needs of the companies were spread across India. As Figures 1–8 suggest, the PSUs made most of their CSR investments in specific states both in pre-covid and post-covid periods. The interviews revealed that the companies appeared to have selected states and thrust areas on a 'pick and choose' basis to meet the spending requirements rather than to address stakeholders' needs, leading to the potential exclusion of local communities[36] and other stakeholders[37] impacted by business operations. Furthermore, the selection criteria for thrust areas were also unclear.

While meaningful CSR can be linked to the impact of business activities,[38] the thrust areas were often unrelated to the PSUs' operations (Table 1) and not mapped to prioritise stakeholders' needs. For instance, CSR expenditures were not much in thrust areas like environmental sustainability that should naturally be relevant to the energy sector.

If the PSUs have operations with similar impacts across the country, why were most of them investing predominantly in a few thrust areas or states? Although the Companies Act 2013 mandates CSR spending, it does not clarify what, how and where CSR expenditures should be made. It is not clear if the list of activities in Schedule VII is exhaustive or merely illustrative.[39] Thus, the regulatory approach and the business practices it entails could limit the scope for corporate accountability to local communities and other stakeholders, including in thrust areas directly connected to the PSUs' core activities. As Singh noted, the CSR implementation provisions present an ambiguous picture of companies' responsibility.[40] Within the legislative framework, it is possible for companies to allocate CSR budgets more toward expanding their businesses than toward social welfare. Furthermore,

[36]JR Owen and D Kemp, 'Corporate Responses to Community Grievance: Voluntarism and Pathologies of Practice' (2024) 189 Journal of Business Ethics 55.
[37]M Ehrnström-Fuentes and S Böhm, 'The Political Ontology of Corporate Social Responsibility: Obscuring the Pluriverse in Place' (2023) 185 Journal of Business Ethics 245.
[38]Rupanjana (n 18).
[39]D Dharmapala and V Khanna, 'The Impact of Mandated Corporate Social Responsibility: Evidence from India's Companies Act of 2013' (2018) 56 International Review of Law and Economics 92.
[40]S Singh, N Holvoet and V Pandey, 'Bridging Sustainability and Corporate Social Responsibility: Culture of Monitoring and Evaluation of CSR Initiatives in India' (2018) 10 (7) Sustainability 2353.

as the focus remains unclear, social obligations are pursued 'more coincidentally rather than with a clear strategy.'[41]

The companies' ability to invest randomly in some thrust areas and ignore others also raises accountability concerns by making it difficult to track CSR activities and linkages to the impacts of business operations. Interestingly, interviewees confirmed that the PSUs had not involved local communities in CSR project implementation. There are no adequate measures for addressing 'a need to fill the information asymmetry through dialogue and clarity on business responsibility'[42] to ensure efficient CSR expenditure and corporate accountability. With the picture of a 'substantial amount of CSR resources being invested sporadically, in the form of donations or one-time investments,'[43] CSR practice in India remains within the unsystematised philanthropic space.[44]

To facilitate accountability, a more structured approach for discharging social obligations requires a rethink of the existing legislative framework to encourage companies to optimally allocate social contributions and address the impact of business activities. For instance, a company which demonstrates a willingness to undertake CSR activities is more likely to see linkages between its operations and CSR if provisions exist for holding it accountable for the impacts of those operations.

5.2. Political interference

Another possible factor for the lack of external stakeholder accountability in India's formalised CSR implementation system is the scope for political interference in the PSUs' CSR budget allocations.[45] While the enabling instruments lack specific requirements, CSR activities may be proposed by, or planned and implemented in consultation with, government agencies. Interviewees noted that the PSUs' CSR initiatives generally followed the mandate or preference of the ministry each company was aligned to. Additionally, the PSUs did not raise concerns even when it was apparent that they could merely be sanctioning funds needed for projects determined by district administrations and other government agencies. While, due to the nature of ownership, linkages between the activities of PSUs and the government's political agenda are not

[41] ibid.
[42] A Chakraborty and A Mehra, 'United Nations Guiding Principles and the Business and Human Rights in India' (MPRA, 2018) <https://mpra.ub.uni-muenchen.de/86318/1/MPRA_paper_86318.pdf> accessed 23 June 2023; ETI, 'Business and Human Rights in India' <www.ethicaltrade.org/issues/business-and-human-rights-india> accessed 23 March 2024.
[43] ibid.
[44] Kansal and others (n 14); N Kumar and DK Chauhan, 'Implementation of CSR Legislation in India Through the Lens of Beneficiaries: A Case Study of Malwa Region, Punjab, India' (2023) 44 Statute Law Review 1.
[45] Jumde and Kumar (n 11); Jumde and Du Plessis (n 10).

unexpected,[46] there are reasons to suggest that this can lead to questionable accountability.

First, there is no suggestion that the government agencies acted as surrogates of local communities and other stakeholders to whom CSR accountability should also be owed. It is not enough to rely on some sort of accountability to government departments that check whether companies have spent the requisite amount of money on CSR activities. Second, while consultation with government agencies might be done to optimally distribute CSR spending, this would be from those agencies' viewpoint and not necessarily reflect stakeholders' needs. It can effectively constrain the companies in channelling CSR spending to areas and stakeholders that are directly impacted by business operations. Third, the CSR implementation process can be influenced by vested agendas of governing political parties. This can increase the likelihood of an abuse of power or office if political agents can direct the companies to invest in areas or projects that, for instance, attract votes in elections. The unbounded freedom of companies in choosing, monitoring and assessing CSR activities can facilitate collusion in the circumstances.

5.3. Priority void

Accountability for CSR implementation may be difficult if companies are not provided with clear directions on how and where to prioritise spending. Companies can then randomly pick whatever comes their way or on the whims and fancies of internal and external persons. Other than channelling resources more effectively for optimal investment, companies may choose convenient options resulting in CSR investments mostly in a handful of thrust areas and states. The lack of priority can be traced to the legislative framework.

Although the Companies Act 2013 requires companies to give preference to local areas of their operations, the CSR implementation obligations are not linked to the needs and preferences of local communities and other relevant stakeholders, nor do they prioritise those directly impacted by business operations. This lack of clarity has allowed the PSUs to invest in thrust areas not directly connected to their business or in activities with little relevance to their stakeholders or the broader society. For example, giving funds for building statues or decorating parks while polluting river basins or ignoring the needs of people displaced by business activities should not be considered as CSR. There is little point in spending on matters in faraway regions not

[46] J Mäkinen and E Kasanen, 'Boundaries Between Business and Politics: A Study on the Division of Moral Labor' (2016) 134 Journal of Business Ethics 103; J Schrempf-Stirling, 'State Power: Rethinking the Role of the State in Political Corporate Social Responsibility' (2018) 150 Journal of Business Ethics 1; Ehrnström-Fuentes and Böhm (n 37).

connected with business operations while continuing to adversely impact the immediate community and stakeholders.

Even when PSUs allocate CSR funds within local regions, investments often flow to locations linked to corporate presence rather than to the actual sites of business operations where CSR needs may be more pressing. This pattern is evident in the implementation of many energy access intervention programmes in the largely energy-sufficient states of Karnataka and Maharashtra.[47] In instances where host regions of business operations are targeted, the choice of thrust areas can still appear arbitrary, reflecting an unstructured approach to CSR. Such practices leave limited scope for accountability and deepen the divide between states and regions with abundant CSR activities and those, like Bihar, that receive only modest or no interventions. Addressing this imbalance will require clearer policy guidelines to ensure CSR resources are directed toward areas of greatest need and impact.

5.4. Optimising resource allocation

In the current form, legislative provisions governing CSR implementation appear to encourage suboptimal corporate behaviour with the consequential effect on CSR accountability. In the first instance, there is no clarity or consistency on the meaning of CSR within the voluntarist legislative framework. Before the Companies Act 2013, the NVGs 2011 referred to 'responsible business' as 'the commitment of businesses to operating in an economically, socially and environmentally sustainable manner while balancing the demands of shareholders and other interest groups.' The NVGs, therefore, focused on risk management to advance social and environmental sustainability. In contrast, the CSR Rules 2014, as amended, confirm that Schedule VII of the Companies Act contains a non-exhaustive list of statutorily recognised CSR activities. The DPE Guidelines 2014, enacted after the Act and equally applicable to PSUs, however, define CSR as 'a way of conducting business, which enables the creation and distribution of wealth for the betterment of its stakeholders, through the implementation and integration of ethical systems and sustainable management practices.' The inconsistent messaging in the instruments seems unhelpful in enabling CSR understanding, optimal resource allocation and effective implementation. What, which, when and how of CSR implementation are not clear in this context.

Varied interpretations have lent a broad scope to CSR, leaving it to companies to adopt 'pick and choose' strategies for random allocation of resources to meet the legal minimum CSR spending. For example, as the findings suggest, most companies in the sample spent negligible amounts on environmental sustainability, an area they ought to prioritise given the

[47]Tamvada (n 12).

nature of their business. Companies can even distract attention from negative impacts of their operations by cloaking themselves with social responsibility through meeting the statutorily required CSR spending albeit on unrelated activities. Similarly, merely requiring energy businesses that contribute heavily to environmental pollution to spend 2% of their profits on any thrust areas is inconsistent with CSR and stakeholder accountability routes it encourages.

An illustrative showcasing of CSR credentials by meeting the spending level for thrust areas in the Companies Act while ignoring core business impact is the gas leak incident at LG Chem Limited's plant in Visakhapatnam on 7 May 2020. This affected many lives, causing several deaths and injuries to thousands of people as the surrounding areas were filled with poisonous gases.[48] The company had no environmental clearance from the government for continuing its business operations,[49] but CSR reports on its website confirmed compliance with the statutory minimum CSR expenditure level.[50] This smaller scale repeat of the 1980s' Bhopal Gas tragedy suggests the persistence of corporate accountability gaps notwithstanding India's legislative formalisation of CSR.

Human rights issues also underline the effects of sub-optimal allocation of resources in focusing on social issues unrelated to core business impacts. In India, business activities have been linked to the displacement, impoverishment and marginalisation of communities like rural dwellers, farmers and tribal people.[51] While these issues are prominent in states like Chhattisgarh, Jharkhand, Andhra Pradesh, Odisha, Manipur, Meghalaya, Sikkim, Arunachal Pradesh, Mizoram and Tripura,[52] the PSUs in this study have either not invested in those states or in human rights protection. Companies implicated in those human rights issues might possibly have contributed to 'CSR activities' in other states and thrust areas in satisfaction of the stipulated CSR minimum spending. While it is useful to promote national development needs, it may be damaging to ignore negative impacts of business activities on human rights and other areas.[53] Similarly, companies undertaking legally mandated CSR activities while employing casual contract workers on extremely low pay and virtually no other benefits can choose to give some money to totally unrelated thrust areas and, as such, claim the statutory

[48]S Gupta, J Hollingsworth and V Sud, 'India Gas Leak Prompts Investigation and Evacuations in Visakhapatnam' (*CNN*, 8 May 2020) <https://edition.cnn.com/2020/05/08/asia/india-gas-leak-deaths-intl-hnk/index.html> accessed 9 May 2023.

[49]Business and Human Rights Resource Centre, 'India: Factory Where Deadly Gas Leak Occurred Found to Be Operating Illegally Until at Least 2019' <www.business-humanrights.org/en/india-factory-where-deadly-gas-leak-occurred-found-to-be-operating-illegally-until-at-least-2019> accessed 12 May 2023.

[50]LG, 'Supplier CSR' <www.lgchem.com/sustainability/supply-chain-management/cooperation-company-csr> accessed 9 May 2023.

[51]Chakraborty and Mehra (n 42).

[52]Rupanjana (n 18).

[53]Tamvada (n 12).

CSR badge. The far-reaching impact on individuals and communities of labour issues such as bonded labour, child labour, low wages, poor health and safety practices and long working hours affecting millions of people in India[54] does not change the effect of disguised voluntarism and glaring corporate accountability gaps it creates for CSR.

Bridging the understanding of CSR asymmetries is therefore crucial. This may require a clear and consistently applicable definition of CSR that prioritises stakeholder needs and mitigation of business impact on stakeholders in the discharge of social responsibilities. Social initiatives that lack this qualification should not be mistaken for CSR. The regulatory framework should devise more targeted goals rather than general provisions which, as they embed voluntarism, impede the effective implementation by enabling companies to randomly select thrust areas that may even be unrelated to the nature and location of business operations. If companies prioritise and undertake CSR investments to mitigate adverse impacts on their stakeholders and then cater to other social needs, they may more effectively meet the stakeholders' needs and optimally allocate resources with greater specificity, consistency and clarity and are brought closer to being accountable for their activities.

6. Conclusion

India is one of the first countries to enact CSR related legislation through the Companies Act 2013 and the CSR Rules 2014, as well as the DPE Guidelines 2014 which additionally apply to PSUs. Notwithstanding its long-standing CSR tradition of social responsiveness and developmental contributions,[55] India's formalisation of CSR through law is unique. In contrast to non-democratic societies,[56] India's democratic setting provides an opportunity for this article to contribute to the analysis of the interplay of self-regulation, public (stakeholder) deliberation and public governance functions. The article also contributes to discussions on the government's role in CSR[57] by examining its application to a particular type of hybrid business entity (PSU) that combines profit-making with government ownership. Contributing to limited empirical research on the impact of India's legislative

[54]Chakraborty and Mehra (n 42); ETI, 'Business and Human Rights in India' <www.ethicaltrade.org/issues/business-and-human-rights-india> accessed 23 March 2024.

[55]S Gouda, AG Khan and SL Hiremath, *Corporate Social Responsibility in India: Trends, Issues and Strategies* (Anchor Academic Publishing 2016).

[56]AL Maier and DU Gilbert, 'Deliberating with the Autocrats? A Case Study on the Limitations and Potential of Political CSR in a Non-Democratic Context' (2023) 184 Journal of Business Ethics 11.

[57]Dentchev, Balen and Haezendonck (n 2); A Kourula and others, 'New Roles of Government in the Governance of Business Conduct: Implications for Management and Organizational Research' (2019) 40 (8) Organization Studies 1101.

interventions,[58] the article provides novel insights on the effectiveness of CSR implementation provisions in relation to PSUs and the extent to which CSR practices align with the legislative goal of socially responsible businesses.

Proceeding with the conceptual framework that effective CSR implementation is a product of commitments, internal structures and processes, and external stakeholder engagement,[59] this article undertakes an in-depth case study of selected energy sector PSUs and triangulates the findings from interviews to shed light on their CSR activities and the role of public policy in shaping the nature and implementation of CSR initiatives. CSR policy formulation, focal area determination, implementation vehicles and spending levels are examined in the article. While formalisation appears to have resulted in increased CSR spending, it is unclear if the spending is going in the right direction to satisfy stakeholder needs.

The results indicate that philanthropic CSR spending is often conflated with corporate accountability. Moreover, there are no provisions for stakeholder involvement at any stage of the implementation or enforcement process. Given the broadly framed thrust areas for CSR activities and the absence of a clear legal definition of CSR, the empirical findings raise concerns about whether responsibilities and accountability are being meaningfully discharged under India's mandatory CSR law. These challenges may be particularly pronounced in PSUs, where government influence can shape CSR priorities more strongly than in private companies.

Thus, the article contributes to debates on the linkages between corporate governance and CSR[60] and to emergent research[61] on CSR formulation and implementation, particularly within state-owned enterprises like PSUs. While the starting point is that accountability is essential for the effectiveness of CSR, India's legislation makes modest attempts to link CSR activities and accountability, including to stakeholders like local communities. Notwithstanding the specification of what may be regarded as CSR activities, the legislative framework embeds a voluntary and discretionary approach to CSR decision-making, implementation and reporting.

Due to voluntary stakeholder engagement and discretionary designing of CSR activities, the PSUs may prefer convenient activities and meeting minimal

[58]B Chatterjee and N Mitra, 'CSR Should Contribute to the National Agenda in Emerging Economies – The "Chatterjee Model"' (2017) 2 International Journal of Corporate Social Responsibility 1; Subramaniam, Kansal and Babu (n 10); Jumde (n 10); Jumde and Du Plessis (n 10); Jumde and Kumar (n 11).

[59]D Baumann-Pauly and others, 'Organizing Corporate Social Responsibility in Small and Large Firms: Size Matters' (2013) 115 Journal of Business Ethics 693.

[60]MA Harjoto and H Jo, 'Corporate Governance and CSR Nexus' (2011) 100 Journal of Business Ethics 45.

[61]A Klettner, T Clarke and M Boersma, 'The Governance of Corporate Sustainability: Empirical Insights into the Development, Leadership and Implementation of Responsible Business Strategy' (2014) 122 Journal of Business Ethics 145; M Ingham and C Havard, 'CSR as Strategic and Organizational Change at "Groupe la Poste"' (2017) 146 Journal of Business Ethics 563; T Fatima and S Elbanna, 'Corporate Social Responsibility (CSR) Implementation: A Review and a Research Agenda Towards an Integrative Framework' (2023) 183 Journal of Business Ethics 105.

regulatory requirements over addressing business impact and actual societal needs. Simply requiring a minimum expenditure for a broad list of indicative activities could encourage the PSUs to focus on that spending level rather than emphasising matters closely connected to their business or with significant impact on their stakeholders.

Notwithstanding the overarching direction in the Companies Act 2013 for businesses to engage in CSR, giving preference to their local areas of operation, in practice, the results suggest that CSR activities have largely been influenced by government agencies and not by stakeholders or considerations of stakeholders' interests. This can lead to political, rather than social, impact assessments of business activities and destinations of CSR expenditures. Consequently, CSR activities may not be optimally allocated or prioritised, posing challenges to the effective discharge of corporate social obligations and accountability. A vague and inconsistent approach to the nature and role of CSR can lead to accountability gaps and raise questions about the impact of CSR provisions on affected stakeholders, such as local communities. CSR initiatives may, for instance, partially align with community development while neglecting or even ignoring the human rights impact.

A key limitation of this study is that it is mainly focused on the energy sector PSUs. While the findings offer valuable insights, they may not be fully generalisable to private sector firms or to PSUs operating in other industries. Future research can extend the work by examining the CSR expenditure patterns across other PSU sectors and in the private sector. Similarly, while the temporal limit of the data in the study is 2023, a more comprehensive assessment of the overall CSR expenditures by India's businesses can shed more light on the impact of the mandatory CSR legislation. Furthermore, due to the limited number of individual respondents in this study, increasing the pool of interviewees may provide insights into other aspects of, and influences on, CSR expenditure allocation and CSR policies.

Overall, this article provides a new foundation for critically evaluating CSR behaviour and implementation in a formalised CSR system, particularly as it applies to public sector undertakings. In the absence of robust provisions for accountability, businesses may be more inclined to symbolically meet formal regulatory requirements than optimising the effectiveness of CSR implementation. In the case of India's PSUs, disguised voluntarism may be diluting the much-needed accountability for CSR implementation and enable companies to simply showcase randomly chosen activities as CSR. The energy sector PSUs in this study, for instance, invested mostly in few states, ignored some and spent on some thrust areas while nearly neglecting others wherein they might have had impacts on society and environment. CSR formulation, governance, compliance, performance and impact should therefore be rooted in accountability, particularly where CSR is a regulatory strategy.

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Notes on contributors

Mallika Tamvada is a Senior Lecturer in Corporate Law, Governance and Stewardship at Bournemouth University. She holds a PhD in Law from the University of Essex and an LLM from the University of Houston. Her research focuses on corporate governance, transnational corporations, accountability, corporate social responsibility, sustainability practices in business and business & human rights, building on both academic and professional legal experience in India, the UK, and the USA.

Onyeka K. Osuji is a Professor of Law at the University of Essex, UK. He holds a PhD in Law from the University of Manchester and a BCL from the University of Oxford. His research focuses on corporate governance, corporate social responsibility, globalisation, regulation, consumer protection, social and non-financial reporting, banking and asset management and multinational enterprises.

Appendix

Table A1. Summary of interview questions used in the study.

Category	Company Officers	Category	Implementing Organisations
CSR Mandate and Spend	What is the involvement of the Board in CSR activities? What is the budget allocated by the PSU for CSR projects? Is it in line with the Act?	**CSR Mandate and Spend**	What is the mission of NGOs with respect to the CSR mandate? What level of monetary support is extended by PSUs or organisations in identifying CSR focus areas in addition to the implementation of CSR projects?
Choice of CSR Projects (Project formulation, focal areas etc.)	How are the CSR projects selected? Are CSR projects selected at the discretion of the Board? Are projects selected by PSU or do NGOs have a say in what is important to focus on? CSR Projects per year: How many CSR projects are completed in a year?	**Choice of CSR Projects** (Project formulation, focal areas etc.)	Do NGOs have a say in what is important to focus? CSR Projects per year: How many CSR projects are completed in a year?
Choice of implementation stakeholders (self vs external)?	Are the implementation stakeholders external NGOs or PSUs themselves?	**Involvement of Local Communities**	Do NGOs partner with or involve local communities or are their activities selected based on statistics?

(*Continued*)

Table A1. Continued.

Category	Company Officers	Category	Implementing Organisations
Measurement for success (Outcomes vs outputs)	Are there Key Performance Indicators (KPIs) for CSR projects? Are CSR implementation activities reported to the company (PSU) on a regular basis? Do NGOs partner with or involve local communities or are their activities selected based on statistics?	**Measurement for success** (Outcomes vs outputs)	Are there Key Performance Indicators (KPIs) for CSR projects? Are CSR implementation activities reported to the company (PSU) on a regular basis?