



Corporate Social Responsibility in the Modern Economy with Reference to Kerala

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Abstract— Corporate Social Responsibility (CSR) has emerged as a vital component of the modern economic system, transforming from a voluntary philanthropic activity into a strategic and legally mandated business practice. In the contemporary globalized economy, corporations are expected to contribute not only to economic growth but also to social welfare, environmental sustainability, and ethical governance. In India, the enactment of the Companies Act, 2013 marked a significant shift by making CSR expenditure compulsory for certain categories of companies, thereby institutionalizing corporate contributions toward societal development. Kerala, a state known for its high literacy rates, strong social indicators, and participatory governance, presents a unique case for analysing the effectiveness and impact of CSR activities.

This study examines CSR practices in Kerala within the broader framework of the modern economy. It explores the legal framework, sectoral distribution, economic implications, and challenges associated with CSR implementation. The findings suggest that CSR activities in Kerala are primarily concentrated in education, healthcare, environmental sustainability, and rural development, contributing significantly to inclusive growth and human development. However, issues such as monitoring inefficiencies, uneven distribution of funds, and limited participation of smaller enterprises persist. The paper concludes that while CSR has positively impacted Kerala's development model, improvements in governance, transparency, and strategic alignment are necessary to enhance its effectiveness.

Keywords—Business Ethics, Corporate Social Responsibility, CSR Activities, Inclusive Growth, Kerala, Modern Economy, Sustainable Development.

I. INTRODUCTION

Corporate Social Responsibility (CSR) refers to the obligation of businesses to contribute positively to society while pursuing their economic objectives. In the modern economy, CSR has gained increasing importance due to rising concerns about environmental degradation, social inequality, and corporate accountability. Businesses are no longer viewed solely as profit-generating entities but as key stakeholders responsible for sustainable development and social welfare.

The concept of CSR has evolved significantly over time. Earlier, it was largely voluntary and philanthropic in nature, focusing on charitable donations and community service. However, with the advent of globalization and increasing public awareness, CSR has become an integral part of corporate strategy. Companies now integrate social, environmental, and ethical concerns into their operations, adopting a stakeholder-oriented approach rather than focusing exclusively on shareholders.

In India, CSR gained legal recognition with the introduction of the Companies Act, 2013, which made CSR spending mandatory for certain companies. This marked a significant shift in corporate governance and established a structured framework for corporate contributions to society. The Act requires eligible companies to spend at least 2% of their average net profits on CSR activities, thereby ensuring that businesses actively participate in national development.

Kerala provides a unique context for studying CSR due to its distinctive socio-economic characteristics. The state is known for its high literacy rate, strong healthcare system, and active civil society. These factors create a conducive environment for effective CSR implementation. This paper aims to analyse CSR practices in Kerala within the framework of the modern economy and evaluate their impact on economic and social development.

II. CONCEPT OF CSR IN THE MODERN ECONOMY

In the modern economy, CSR is no longer limited to philanthropic activities but has become a strategic tool for achieving long-term sustainability. Companies are increasingly recognizing that their success depends not only on financial performance but also on their social and environmental impact. As a result, CSR is now integrated into business strategies, corporate governance, and decision-making processes.

CSR in the modern economy is characterized by the concept of the “triple bottom line,” which emphasizes the balance between economic, social, and environmental objectives.



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Businesses are expected to generate profits while simultaneously contributing to societal welfare and environmental protection. This approach ensures sustainable development and enhances corporate reputation.

Furthermore, CSR has become an important factor in influencing consumer behaviour and investor decisions. Consumers prefer companies that demonstrate social responsibility, while investors are increasingly considering environmental, social, and governance (ESG) criteria when making investment decisions. This has further strengthened the role of CSR in the modern economy. The shift from voluntary to mandatory CSR in India represents a significant development in corporate governance. The Companies Act, 2013 has institutionalized CSR and made it an essential component of business operations. This legal framework ensures accountability, transparency, and effective utilization of CSR funds.

III. CSR FRAMEWORK IN INDIA

The legal framework for CSR in India is primarily governed by the Companies Act, 2013. Section 135 of the Act mandates that companies meeting specific financial criteria must allocate at least 2% of their average net profits towards CSR activities. This provision applies to companies with a net worth of ₹500 crore or more, turnover of ₹1000 crore or more, or net profit of ₹5 crore or more.

The Act also requires companies to form a CSR committee responsible for planning, implementing, and monitoring CSR activities. Additionally, companies must disclose their CSR policies and expenditures in their annual reports, ensuring transparency and accountability. CSR activities under the Act include a wide range of areas such as education, healthcare, environmental sustainability, rural development, and poverty alleviation. This comprehensive framework has significantly increased CSR spending in India, which has grown substantially over the years, reaching tens of thousands of crore annually .

The introduction of mandatory CSR has transformed the corporate landscape in India by encouraging companies to actively participate in social development. It has also created opportunities for collaboration between businesses, government agencies, and non-governmental organizations.

IV. CSR SCENARIO IN KERALA

Kerala has witnessed significant growth in CSR activities following the implementation of the Companies Act, 2013.

The state’s strong social infrastructure, high literacy rate, and active participation of civil society have contributed to the effective implementation of CSR initiatives. CSR activities in Kerala are primarily concentrated in sectors such as education, healthcare, environmental sustainability, and rural development. Companies operating in the state actively engage in community development projects, infrastructure development, and social welfare programs.

Research indicates that listed companies in Kerala have responded positively to CSR mandates, demonstrating a strong commitment to social responsibility. This reflects the state’s socio-cultural emphasis on social welfare and inclusive development. CSR implementation in Kerala is supported by various institutions, including government agencies, non-governmental organizations, and CSR implementation bodies. These organizations play a crucial role in identifying community needs, executing projects, and ensuring effective utilization of CSR funds.

V. SECTORAL DISTRIBUTION OF CSR ACTIVITIES IN KERALA

Table 1:
Sector-wise CSR Activities in Kerala

Sector	Major Activities
Education	Scholarships, digital learning, school infrastructure
Healthcare	Medical camps, hospital support, health awareness
Environment	Waste management, renewable energy, afforestation
Rural Development	Livelihood programs, infrastructure development

CSR activities in Kerala are largely focused on improving the quality of life of the population. Education is a major area of focus, with companies investing in school infrastructure, scholarships, and digital learning initiatives. These efforts contribute to human capital development and enhance the state’s already strong educational system.



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Healthcare is another key area of CSR investment. Companies organize medical camps, provide financial support for healthcare facilities, and contribute to public health initiatives. These activities improve access to healthcare services and promote overall well-being. Environmental sustainability has also gained importance in CSR initiatives. Companies engage in activities such as waste management, afforestation, and renewable energy projects to address environmental challenges. These efforts contribute to sustainable development and environmental protection. Rural development initiatives focus on improving infrastructure, generating employment opportunities, and reducing poverty. These programs aim to enhance the living standards of rural communities and promote inclusive growth.

VI. ECONOMIC IMPACT OF CSR IN KERALA

CSR has a significant impact on the economic development of Kerala. It contributes to inclusive growth by ensuring that the benefits of economic development are distributed across different sections of society. CSR initiatives help reduce income inequality and improve the standard of living of marginalized communities.

One of the key economic benefits of CSR is employment generation. Skill development programs and vocational training initiatives create job opportunities and enhance employability. This contributes to economic growth and reduces unemployment. CSR also plays a crucial role in infrastructure development. Investments in education, healthcare, and rural infrastructure improve the overall quality of life and support economic activities. These developments contribute to the long-term growth of the state.

Additionally, CSR enhances human capital by investing in education and healthcare. Improved human capital leads to higher productivity and economic efficiency. CSR also benefits businesses by enhancing their reputation, building customer trust, and ensuring long-term sustainability.

VII. CSR AND SUSTAINABLE DEVELOPMENT IN KERALA

CSR plays a vital role in promoting sustainable development in Kerala. It aligns business activities with environmental and social goals, ensuring that economic growth does not come at the expense of environmental degradation or social inequality. CSR initiatives contribute to the achievement of Sustainable Development Goals (SDGs) by addressing key issues such as poverty, education, health, and environmental sustainability.

Companies adopt eco-friendly practices, promote renewable energy, and support conservation efforts to reduce their environmental impact.

The integration of CSR into business strategies ensures that sustainability becomes a core objective rather than an afterthought. This approach benefits both businesses and society by creating a balance between economic growth and environmental protection.

VIII. CHALLENGES OF CSR IN KERALA

Despite its positive impact, CSR in Kerala faces several challenges. One of the major challenges is the lack of effective monitoring and evaluation mechanisms. Inadequate monitoring can lead to inefficiencies and misuse of CSR funds. Another challenge is the uneven distribution of CSR funds. CSR spending is often concentrated in urban areas and specific sectors, leaving other areas underfunded. This limits the overall impact of CSR initiatives.

Limited participation of small and medium enterprises is also a concern. While large companies actively engage in CSR activities, smaller firms often lack the resources and capacity to participate. Additionally, there is a need for greater awareness among beneficiaries regarding CSR programs. Lack of awareness can reduce the effectiveness of CSR initiatives and limit their reach.

IX. SUGGESTIONS AND RECOMMENDATIONS

To enhance the effectiveness of CSR in Kerala, several measures can be adopted. Strengthening monitoring and evaluation mechanisms is essential to ensure transparency and accountability. The use of technology and data analytics can improve the tracking and assessment of CSR projects. Encouraging greater participation of small and medium enterprises can expand the scope of CSR activities. Government incentives and support can help smaller firms engage in CSR initiatives.

Promoting collaboration between businesses, government agencies, and non-governmental organizations can improve the implementation of CSR projects. Such partnerships can ensure better resource utilization and greater impact. Finally, there is a need to focus on need-based CSR activities that address the specific requirements of local communities. This will enhance the relevance and effectiveness of CSR initiatives.



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X. CONCLUSION

Corporate Social Responsibility has become an essential component of the modern economy, bridging the gap between economic growth and social development. In Kerala, CSR has contributed significantly to improving education, healthcare, environmental sustainability, and rural development. The state's strong social infrastructure and active participation of various stakeholders have facilitated effective CSR implementation. However, challenges such as inadequate monitoring, uneven distribution of funds, and limited participation of smaller enterprises need to be addressed.

Overall, CSR in Kerala demonstrates that responsible business practices can lead to sustainable and inclusive economic development. With improved governance, transparency, and strategic planning, CSR can further strengthen Kerala's development model and serve as an example for other regions.

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