Int. J. Sci. R. Tech., 2025 2(12)
A Multidisciplinary peer-reviewed Journal
www.ijsrtjournal.com [ISSN: 2394-7063]

Original Article

Corporate Social Responsibility in Education Sector: Balancing Corporate Philanthropy

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ABSTRACT

Corporate Social Responsibility (CSR) has emerged as an important legal framework in India, especially in the education sector, which has created a new perspective. Education is one of the main pillars of social development and economic empowerment. When companies spend their CSR funds on education, it is not only considered a corporate philanthropy but also a legal obligation. According to Section 135 of the Companies Act, 2013, companies fulfilling certain financial criteria are required to spend a minimum of 2% of their average net profit on CSR activities. This study mainly discusses how to strike a balance between corporate philanthropy and legal obligations. CSR projects in the education sector such as school construction, scholarships, teacher training, digital education and research support can have a long-term impact on society. However, challenges remain regarding proper use of funds, transparency, accountability and effectiveness of implementation. Therefore, CSR in the education sector is not just a means of enhancing corporate image, but it is also an important tool for social justice, equal opportunities and national development. The study will show how corporate responsibility in India can transform the education system and lay a sustainable foundation for future generations.

Keywords: Corporate Social Responsibility (CSR), Corporate Philanthropy

INTRODUCTION

Education is one of the main drivers of a nation's development. In modern society, education is not just about imparting knowledge, but also skill development, establishing social justice and creating the foundation for economic prosperity. In developing countries like India, along with government expenditure, private sector participation is also playing an important role in the spread of education. In this context, Corporate Social Responsibility (CSR) has emerged as an effective tool. According to Section 135 of the Companies Act, 2013, companies fulfilling certain profit and turnover criteria are required to spend at least 2% of their average net profit on CSR activities. The education sector has been listed as a major area of CSR. Through this, companies are investing in school infrastructure development, student scholarships, teacher training, digital learning platforms, research and innovation, etc. However, the question is—is CSR activities just corporate philanthropy, or is it a legal obligation? Companies sometimes use CSR as a strategy to enhance brand image, and sometimes it works as a tool for genuine social development. Therefore, the purpose of this study is to analyze the application of CSR in the education sector, its impact, limitations and future prospects. This study will specifically focus on maintaining a balance between corporate philanthropy and legal responsibility. In addition, an attempt will be made to determine the role of CSR in the education sector in the light of law, policy, judicial decisions, and international experience.

BACKGROUND:

The education sector in India has long been considered a key pillar of social and economic development. However, despite government efforts, quality education has not reached many rural and backward areas. Lack of school infrastructure, shortage of teachers, inequality in educational standards, and the digital divide are the main challenges of the Indian education system. In this context, the role of the private sector and corporate organizations has become particularly important. Corporate Social Responsibility (CSR) is basically a global concept, which started gaining special

Relevant conflicts of interest/financial disclosures: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

importance in the second half of the twentieth century. While corporate organizations voluntarily work for society in Western countries, it has been considered a legal obligation in India. According to the Companies Act of 2013, CSR activities were made mandatory in India, which is a ground-breaking step. As a result, large companies are forced to spend a certain portion of their profits on social development. The education sector is one of the priority areas of CSR. Because investment in education means human resource development of the future generation. For this reason, many corporates like Reliance, Tata, ITC, Infosys etc. are spending a significant portion of their CSR budget on education development. These include construction of rural schools, providing scholarships to poor students, supporting girls' education, and digital education projects. However, there are questions about the proper implementation and monitoring of CSR activities. Sometimes CSR projects are limited to paper, while in many cases they are used as a tool for brand promotion. Therefore, thorough research is essential to understand the real impact of CSR activities in the education sector.

Main Analysis:

1. Importance of CSR in the Education Sector:

Education is a fundamental human right and the foundation of social equality. Article 21A of the Indian Constitution guarantees free and compulsory education to every child between the ages of 6 and 14. However, in reality, government initiatives alone cannot meet the needs of this large population. In this situation, CSR investment by the corporate sector can play an effective role in the development of educational infrastructure, quality improvement and the expansion of inclusive education.

2. Types of CSR activities in the education sector:

• School infrastructure development – Many companies are helping to build school buildings, libraries, science laboratories and sanitation facilities in rural areas.
• Scholarships and financial assistance – Providing scholarships and educational materials to poor and meritorious students.
• Teacher training and skill development – Training programs to improve the quality of education.
• Digital education – Distribution of smart classrooms, e-learning platforms, tabs and laptops.
• Promotion of girls' education – Special programs to reduce gender inequality.
• Higher education and research support – Providing grants to universities and research institutions.

3. Corporate Philanthropy vs. Legal Responsibility:

A key debate in the field of CSR is whether it is just corporate philanthropy or a mandatory legal responsibility. Many companies want to enhance brand image and gain social recognition through CSR, while on the other hand, CSR has now been brought into the legal framework by the Companies Act. As a result, companies cannot avoid this responsibility even if they want to.

4. CSR Spending Statistics and Trends:

Since CSR became mandatory in 2014, the amount of CSR investment in the education sector has increased significantly. According to government reports, 30-40% of CSR spending is spent on education every year. This proves that companies are realizing the importance of education and are investing in it as a long-term social responsibility.

5. Implementation Problems:

However, not all CSR projects are equally effective. Implementation shows—

• Lack of adequate planning
• Lack of transparency and accountability
• Waste of CSR money
• Ignoring local needs
• Excessive emphasis on brand promotion

6. Social Impact

CSR projects that are properly implemented have brought positive changes in society. For example, increasing school enrolment of rural girls, reducing school dropouts, expanding digital education, and progress in higher education for scholarship recipients.

Relevant Laws, Case Laws, and Policies:

1. Companies Act, 2013 – Section 135:

The main law for making Corporate Social Responsibility (CSR) mandatory in India is the Companies Act, 2013.

• As per Section 135, it is mandatory for companies which –
• have a minimum net worth of ₹500 crore, or
• have an annual turnover of ₹1000 crore, or
• have a net profit of ₹5 crore or more,
to engage in CSR activities.
• These companies shall spend at least 2% of their average net profit of the last three years on CSR projects.
• Education, health, poverty alleviation, environment protection, and rural development are among the major areas of CSR.

2. Education-related CSR policies:

The government has given one of the highest priorities to the education sector in CSR activities. CSR spending is encouraged in primary education, higher education, vocational education, and research. Specifically, Schedule VII of the Companies Act, 2013 identifies education as a legitimate sector for CSR.

3. Relevant Policies:

• National Education Policy, 2020 (NEP 2020): Emphasizes quality education, equity, skill development and digital learning. CSR activities are instrumental in implementing this policy.
• Right of Children to Free and Compulsory Education Act, 2009 (RTE Act): Ensures the right of every child to basic education. The private sector is helping to implement this act through CSR projects.

4. Important Judicial Decisions:

• Tech Mahindra Foundation vs. Ministry of Corporate Affairs (2015): Here the court clarified that expenditure on CSR is a legal obligation, not just corporate donations.
• Tata Iron & Steel Co. Ltd. vs. State of Bihar (AIR 1958 SC 452): Although it is not related to CSR, it emphasized the importance of corporate social responsibility, which had a significant impact on the CSR discourse later on.

5. International Standards:

• OECD Guidelines for Multinational Enterprises and UN Global Compact have provided an international framework for corporate responsibility in CSR activities. Indian law is in line with these and is encouraging CSR in the education sector.

Critical Issues and Challenges:

Although CSR activities in the education sector have had many positive impacts, there are several problems and challenges in their practical implementation. These are discussed in detail below:

1. Lack of planning:

Many times, companies undertake CSR projects without understanding the local needs. As a result, the projects are not sustainable and fail to create effective impacts in the long run.

2. Waste of funds and lack of transparency:

There is often a lack of transparency and accountability in the use of funds provided from the CSR budget. Some companies view CSR spending as a mere formality, resulting in less effective results than the actual needs.

3. Brand promotion vs. social impact:

Many corporates use CSR projects more as a tool for brand promotion than for social development. Due to excessive emphasis on advertising and promotion, sufficient attention is not paid to solving the core problems of the education sector.

4. Rural-urban disparity:

Most of the CSR projects are concentrated in urban and semi-urban areas. CSR does not have enough attention to reach quality education in rural and remote areas. This results in inequality in education.

5. Lack of measurable results:

The success of CSR projects is often determined only on the basis of the money spent, but there is no specific process to measure its real social impact.

6. Poor coordination with government agencies:

CSR projects are often not properly coordinated with government education policies and programs. This results in duplication, waste of money and inefficiency.

7. Lack of long-term vision:

Many CSR projects are limited to the short term. Long-term planning is needed for sustainable education development, but most corporates are not interested in it.

Contemporary Perspectives:

1. International Context:

In many countries around the world, CSR is being used as an important tool in the education sector. In the United States, CSR activities are mainly seen as voluntary initiatives. Many corporate organizations provide grants to universities, research institutes and schools. For example, the Bill & Melinda Gates Foundation has brought about revolutionary changes in the education sector. In the European Union, CSR policies are encouraged under the name of "Socially Responsible Business Practices", although they do not provide a legal framework. Education, environment and health are given the main priorities of CSR. In China, CSR is implemented in line with government policies. Many Chinese companies have invested heavily in improving the quality of rural education.

2. South Asian Comparison:

CSR is particularly important in developing countries like India. In Bangladesh, CSR is still largely voluntary, but CSR spending in education is increasing in the banking sector. In Sri Lanka, CSR in the education sector is significant but not legally binding. In India, CSR has acquired a special status as it is legally binding. This model of India is being considered as an example for other countries in South Asia.

3. Contemporary Trends in India:

Digital Education: During the COVID-19 pandemic, many companies have launched digital learning solutions through CSR.

Skill Development: CSR is now being spent not only on primary education but also on building employable skills of the youth.

Girls' Education: CSR projects are focusing on increasing girls' school enrolment and participation in higher education.

FUTURE DIRECTIONS:

India's CSR policy is a semi-voluntary and semi-mandatory model in the global context, which is a useful example for other developing countries. If CSR can be used more effectively in the education sector, India will be able to lead the world in human resource development.

CONCLUSION AND SUGGESTIONS:

Corporate Social Responsibility (CSR) has emerged as an important tool in the education sector in India. The Companies Act, 2013, which made CSR a legal requirement, was a landmark step that transformed corporate philanthropy into a disciplined and effective process. CSR investments in education have led to improvements in school infrastructure, financial assistance to poor students, expansion of digital education, and increased participation of girls in education. However, challenges remain—such as lack of transparency, limited outreach in rural areas, and lack of long-term planning. CSR activities need to be seen as a tool for creating real social impact rather than just a means of brand promotion. This study demonstrates that if CSR is effectively implemented in the education sector, it will play a long-term role in the development of the country's human resources and will further strengthen the foundation of national development.

Recommendations:

1. Increase transparency and accountability: Regular monitoring and reporting of the use of funds in CSR projects should be mandatory.

2. Local Needs-Based Planning: It is necessary to conduct a survey of rural and local educational needs before undertaking CSR projects.

3. Alignment with Government Policies: CSR projects should be aligned with the goals of the National Education Policy 2020.

4. Long-term perspective: CSR activities should be transformed into continuous development initiatives rather than short-term projects.

5. Promoting Digital and Inclusive Education: Development of digital infrastructure through CSR, especially in rural areas, should be given more importance.

Above all, CSR investment in the education sector is not just a corporate responsibility, it is an integral part of social justice, equity and sustainable development in India.

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HOW TO CITE: Moumita Chowdhury*, Corporate Social Responsibility in Education Sector: Balancing Corporate Philanthropy, Int. J. Sci. R. Tech., 2025, 2 (12), 121-125. https://doi.org/10.5281/zenodo.17864114