



### CSR FUNDS AS A SUPPLEMENTARY MECHANISM OF GREEN FINANCE IN INDIA: A CONCEPTUAL FRAMEWORK

**Trupti Naresh Vichare & Dr. Jyoti Thakur**

*Department of Commerce*

*SNDT Women's University, Mumbai*

#### Abstract:

*As India approaches its centennial of independence in 2047, the country's vision highlights a robust, equitable, and environmentally sustainable development plan. Climate change (CC) is one of the most urgent issue facing the world today. It is essential that all nations must give this issue top priority and act quickly. Furthermore, more funding is needed to solve this problem. Green finance has become an essential global instrument for promoting sustainability and addressing environmental issues.*

*Along with more conventional green finance mechanisms like green bonds, climate funds, and public initiatives, the Corporate Social Responsibility (CSR) fund is essential to the advancement of sustainable development in India because of the implementation of Section 135 of the Companies Act, 2013.*

*This study introduces a conceptual model that positions CSR funds as a supplementary approach to green finance in India. It looks at the theoretical relationships between green finance frameworks, environmental sustainability, and corporate social responsibility. On the basis of secondary data, this study redefines corporate social responsibility (CSR) as a structured green financing option that can produce quantifiable environmental results, rather than just a compliance requirement. The paper concludes by discussing the policy implications and institutional mechanisms for integrating CSR spending into India's larger green finance ecosystem.*

**Keywords:** *CSR Funds, Green Finance, Sustainable Development, ESG, SDGs, Environmental Sustainability, India.*

**Copyright © 2026 The Author(s):** This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

#### Introduction:

In 21st century Sustainable development has emerged as a global priority particularly in the context of climate change, loss of biodiversity, water shortages, pollution, and the depletion of natural resources. Emerging economies, such as India, face the dual task of sustaining economic growth while maintaining ecological equilibrium. This shift requires substantial

financial investment in environmentally sustainable initiatives, commonly known as green finance.

Green Finance plays crucial role by directing funds toward initiatives that lower environmental risks and enhance ecological outcomes, Green bonds, climate funds, sustainable investments etc. have all historically been used to support green finance. However, the financial needs for sustainable infrastructure and environmental protection are much greater than the



funding sources available in developing nations like India. Consequently, it becomes imperative to investigate other mechanisms that can supplement current green finance initiatives.

In recent times, the importance of the corporate sector in tackling environmental issues has received more attention. Companies are now expected to not only earn profits but also to act responsibly and aid in sustainable development. Many studies examine CSR primarily as a means for social welfare or enhancing corporate reputation. Hence, it is essential to investigate how CSR funding can support conventional green finance methods and aid in promoting environmental sustainability.

In light of this context, the current research intends to examine the function of CSR funds as an additional avenue for green finance in India. It presents a conceptual model that demonstrates how corporate CSR resources can aid environmental initiatives and support the larger objectives of sustainable development.

### Objectives:

- To examine the conceptual relationship between Corporate Social Responsibility (CSR) funds and green finance in India.
- To analyse CSR's role in environmental sustainability.

### Research Methodology:

The present study adopts a conceptual research design to examine CSR funds as a supplementary mechanism of green finance in India. The research is primarily based on secondary data sources, as the objective is to develop a theoretical and conceptual framework, rather than to conduct empirical testing. Relevant information was collected from academic research articles, peer-reviewed journals, policy documents and publications related to sustainable finance. The methodology is exploratory in nature and did not involve primary data collection or statistical testing. The findings provide

conceptual clarity and policy direction for strengthening CSR-based green finance mechanisms in India.

### Limitations of the Study:

- The research is conceptual in nature and has not been statistically validated through empirical testing.
- The study relies entirely on a secondary data source
- This study does not provide a detailed quantitative analysis comparing CSR spending with green bond volumes or sustainable banking investments.
- The analysis is confined to the Indian context
- Future regulatory changes may affect the applicability of this conceptual framework.

### Literature Review:

According to Shabhu, K. (2022). The literature on green finance highlights its important role in promoting sustainable development and addressing environmental challenges. Green finance refers to financial investments and instruments that support environmentally sustainable projects such as renewable energy, pollution control, and climate change mitigation. Studies indicate that banks, financial institutions, and international organizations play a significant role in promoting green finance through products like green loans and green bonds. However, researchers also point out challenges such as high financing costs, lack of clear frameworks, and limited awareness, which hinder the effective implementation of green finance initiatives.

According to Liang, H., & Renneboog, L. (2020). the literature highlights the growing importance of *green finance and sustainable finance* in promoting environmental sustainability and economic development. Research also emphasizes the increasing role of *Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG)*



factors in investment decisions and financial markets. However, the literature also identifies several challenges, including difficulties in measuring environmental impact, inconsistencies in ESG ratings, lack of clear standards, and limited awareness among businesses. Therefore, further research is needed to understand the effectiveness, implementation, and challenges of green finance in supporting sustainable development.

According to Maheshwari, S. (2024). Corporate Social Responsibility (CSR) has evolved from philanthropic activities to a strategic business approach that supports sustainable development. Literature shows that CSR initiatives in areas such as education, healthcare, environmental protection, and skill development contribute significantly to social, economic, and environmental sustainability. In countries like India, the mandatory CSR provisions under the Companies Act, 2013 have increased corporate participation in development activities. However, studies also highlight challenges such as superficial compliance, unequal distribution of CSR funds, limited impact assessment, and lack of stakeholder participation, indicating the need for better transparency, strategic integration, and community involvement to enhance the effectiveness of CSR initiatives.

The literature review of Ramkrishnan, R. (2017) highlights that Corporate Social Responsibility (CSR) plays an important role in promoting sustainable development and social welfare. Studies show that CSR activities contribute to community development, environmental protection, and economic growth, but challenges such as lack of proper implementation and impact assessment still remain.

The literature of Angorani, S. (2024) emphasizes that *green finance* plays a significant role in promoting environmental sustainability and supporting sustainable economic development. It highlights that financial institutions, government policies, and green investment instruments help fund environmentally friendly projects, though challenges such as limited awareness, policy gaps, and implementation issues still exist.

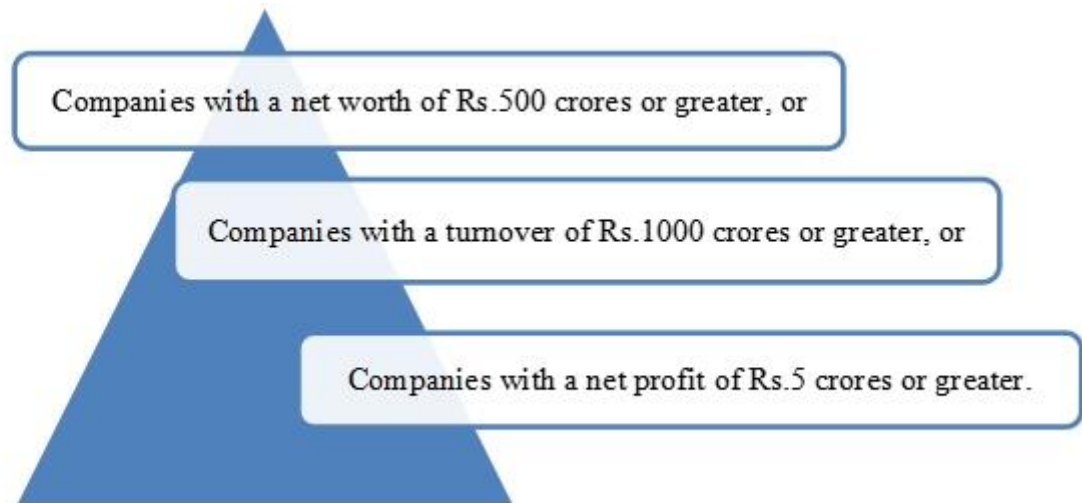
### Research Gap:

No existing study conceptualizes CSR funds as catalytic green finance capital in India's sustainable finance architecture.

### CSR & Sustainability:

Business and industry play a crucial role in the social and economic development of a nation. It is a multi dimensional concept evolved over the years from Corporate Philanthropy to Stakeholder management and Sustainable development. (Ramkrishnan, R. (2017) The term “CSR” is often used interchangeably with “ESG”, which is the broad umbrella term that refers to the incorporation of Environmental, Social, and Governance (ESG) considerations into corporate management and investor's portfolio decisions. (Liang, H., & Renneboog, L. (2020). It has grown into a strategic, multidimensional approach that is a key part of making business practises more sustainable and helping to reach bigger societal goals. (Maheshwari, S. (2024).

India was the first country to make CSR spending required by law when the Companies Act, 2013 was passed. Section 135 says that companies that meet certain financial requirements must give at least 2% of their average net profits from the last three years to CSR activities.



Schedule VII of the Act lists these activities. They cover a wide range of topics, such as poverty eradication, education, healthcare, gender equality, rural development, and environmental sustainability. (2024).

CSR and the idea of sustainable development go hand in hand. The Brundtland Commission first talked about sustainable development in 1987. It stresses how important it is to meet the needs of the present without making it harder for future generations to do the same. (2024). Sustainability means looking forward to development while minimizing the harm to the environment for any development made.( Shabhu, K. (2022).

The, United Nations Framework Convention on Climate Change, formed in 1994, is the global body that strongly recommends all countries towards sustainability. (2022). With the introduction of the Sustainable Development Goals in the UN's 2030 Agenda, this principle that looks to the future has become more important (SDGs).(2024).

CSR is closely linked with the principles of Sustainable Development which argue that enterprises should be obliged to make decisions based not only on financial/economic factors (e.g. Profits, Return on Investment, dividend payments etc.) but also on both the immediate and the long-term social, environmental and other consequences of their Activities\Corporates,

big and small, national and transnational are making efforts to earn customer loyalty through community development schemes, good corporate governance and by engaging stakeholders, within and outside the company(2022).

The oversight of CSR activities and their implementation is managed by the Ministry of Corporate Affairs, which has put in place guidelines and reporting standards for businesses. Companies must provide information regarding their CSR expenditures and initiatives in their annual reports, promoting transparency and responsibility in the use of CSR funds.

In recent years, there has been a notable increase in CSR expenditure in India as more businesses become subject to the regulations outlined in the Companies Act. The rise in CSR funds has opened up avenues to support numerous social and environmental programs throughout the nation. By allocating a percentage of corporate earnings to sustainable projects, CSR allows companies to actively contribute to fostering inclusive and environmentally sustainable development.

A number of Indian companies show how CSR can work. The Tata Group's work on cancer care and education, the Infosys Foundation's work on sanitation and digital literacy, and Mahindra's rural skill development programmes, Reliance company's biodiversity conservation project, JSW's project of



carbon emissions are all examples of how corporate social responsibility (CSR) can improve both companies' reputations and the lives of those less fortunate. These examples show how CSR is changing its role in building social capital and protecting environmental. To make CSR a useful tool for development, businesses need to stop tracking how much they spend and start tracking what they get out of it.. (2024).

### Green Finance & Sustainability:

Attaining sustainability with development is a higher-cost and time-demanding model. To address the challenge of cost handling, various innovative financial products were introduced Green finance includes climate finance but is not limited to it. It also refers to a wider range of „other environmental objectives, for example industrial pollution control, water sanitation, or biodiversity protection. (2022).

Green finance is the direct aid for addressing environment sustainability and climate change resilience. This is a wide concept that includes any form of financial support provided for the prime objective of sustainability. Therefore, it includes green loans, green bonds, green insurance, green infrastructure fund, green equity investment etc. (2022).

Beyond traditional investment models, green finance focuses on the allocation of money to projects and activities that not only produce financial returns but also A symbiotic link between financial success and societal well-being is created by green finance. Green finance has the ability to fundamentally alter the global economic landscape and make a substantial contribution to the development of a more sustainable and inclusive future by promoting the alignment of financial incentives with environmental and social objectives(Angorani, S. (2024). Green finance is a broad term that includes terms like sustainable finance, environmental finance, climate financing, and green

investment(Kamran, M. R., Ambreen, S., Kiran, F., & Mumtaz, R. (2022).

Global sustainability programs like the Sustainable Development Goals, which highlight the significance of environmental protection and sustainable resource management, are strongly associated with the concept of green finance. Natural resources are under tremendous strain due to rapid urbanization, industrialization, and population increase. In order to help environmentally sustainable projects, financial institutions and policymakers have begun to promote green finance initiatives after realizing these difficulties. To encourage banks and financial institutions to support environmentally responsible investments, organizations like the Reserve Bank of India and other government authorities have taken action towards Infrastructure for renewable energy, pollution control technology, climate adaption strategies, and sustainable development all require significant investments.

### Linking CSR with Green Finance :

Promoting environmental sustainability and responsible development is a common goal of green finance and corporate social responsibility (CSR) funding. CSR funds are financial resources allotted by firms to address social and environmental issues, whereas green finance has historically involved investments made for environmentally friendly initiatives by financial institutions, governments, and international organizations.

The finance of sustainable development projects can be greatly improved by combining these two methods. Collaboration between companies, governments, and communities is improved when the corporate sector participates in environmental funding. Businesses can help bridge the financial gap that frequently prevents environmental projects from being implemented by allocating CSR cash to green initiatives. As a result,



CSR funds can serve as an additional mechanism that fortifies India's green finance ecosystem.

The development of green finance in India faces several important challenges. The Indian green bond market is still at an early stage and has struggled to attract a large number of investors. Additionally, the cost of financing green projects is relatively high due to factors such as high interest rates, short loan maturity periods, and limited availability of non-recourse debt. Existing market practices, monitoring mechanisms, and financial incentives are often insufficient to support the effective functioning of green financial instruments. Moreover, green finance involves several risks, including technological risk, currency risk, and off-taker risk, which can discourage investors from funding environmentally sustainable projects. (Ravichandran, S., & Roy, M. (2020).

Therefore, it's possible that standard green finance sources won't be enough to cover the risk. This has made it necessary to look into other, complementary funding sources that could improve the ecology of green finance. Corporate Social Responsibility (CSR) money can be a significant additional source of green funding in this situation.

### Policy Implication:

The results of this conceptual analysis show a number of significant ramifications for financial institutions, businesses, and policymakers

- First, by creating standards that support alignment between CSR activities and green finance initiatives, governments can encourage the strategic use of CSR funds for environmental sustainability projects. Promoting environmental CSR investments can be greatly aided by government organizations like the Ministry of Corporate Affairs.
- Second, by giving environmental sustainable projects businesses can include such an activity into their CSR plans. By using this strategy,

businesses will be able to improve their corporate reputation and stakeholder trust

- Third, the business sector can work with financial institutions and regulatory agencies like the Reserve Bank of India to create novel financial models that integrate standard green financing instruments with CSR funding.
- Lastly, increased reporting and openness of environmental projects supported by CSR can enhance accountability and aid in determining how CSR contributions affect sustainability results.

### Conclusion:

In this paper, the conceptual relationship between CSR funds and green finance is highlighted which also offers a framework that shows how CSR investments can support environmental initiatives and sustainable development goals. The broader sustainability financing ecosystem may be strengthened and India's expanding environmental concerns can be addressed by integrating CSR funding with green finance projects. CSR funds may serve as an additional tool that improves the efficiency of green finance. Achieving long-term environmental sustainability and sustainable development goals can be greatly aided by improving the cooperation of company CSR initiatives, governmental regulations, and financial institutions.

### References:

1. 1.Shabhu, K. (2022). *Green financing: The role of banking industry in Kerala*.
2. 2.Liang, H., & Renneboog, L. (2020). *Corporate social responsibility and sustainable finance: A review of the literature*. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3698631>
3. 3.Maheshwari, S. (2024). *CSR as a catalyst for sustainable development*. *International Journal for Multidisciplinary Research*, 6(3).
4. 4.Ramkrishnan, R. (2017). *Contribution of CSR towards development: The Indian perspective*.



- International Journal of Research in Finance and Marketing*, 7(3), 44–50.
5. Angorani, S. (2024). Green finance and sustainable development: A cross-sectional study of financial mechanisms driving environmental responsibility. *Indonesian Journal of Economics, Business, Accounting, and Management*, 2(4), 77–91. <https://doi.org/10.63901/ijebam.v2i4.70>
  6. Kamran, M. R., Ambreen, S., Kiran, F., & Mumtaz, R. (2022). Role of green finance in attaining corporate CSR goals. *Pakistan Journal of Humanities and Social Sciences*, 10(4), 1371–1383. <https://doi.org/10.52131/pjhss.2022.1004.0295>
  7. Ravichandran, S., & Roy, M. (2020). Green finance: A key to fight with climate change. *International Journal of Creative Research Thoughts*, 8(8), 403–409.

### Cite This Article:

**Vichare T. & Dr. Thakur J. (2026).** *CSR Funds as a Supplementary Mechanism of Green Finance in India: A Conceptual Framework.* In **Electronic International Interdisciplinary Research Journal: Vol. XV** (Number II, pp. 256-262). Doi: <https://doi.org/10.5281/zenodo.20233539>