From funding projects, to solving problems - How CSR leaders are reimagining Corporate Responsibility.

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Since the implementation of the Companies Act in 2014, CSR has emerged as a significant source of development finance that can be used as patient capital and absorb risks while solving social challenges. However, most CSR initiatives focus on short term, direct aid programs rather than systemic change. There remains a vital need to unlock greater impact through CSR that is both strategic and sustainable.

The Companies Act 2014 was a landmark legislation, mandating 2% of corporate profits be channelled into social initiatives. In the last decade of the CSR law more than 30,000 companies have deployed over ₹2 lakh crore in funding. However India's GST collection in April 2025 alone was ₹2.36 lakh crore. Clearly. CSR alone cannot solve India's most pressing challenges, but when deployed wisely, it can act as catalytic seed capital, enabling small, smart bets that deliver outsized, long-term impact.

At the heart of this approach lies a simple yet profound idea – CSR can be treated as patient, risk-absorbing capital that enables innovation and scale. Instead of funding inputs like training sessions or equipment and measuring outputs such as attendance or distribution counts, catalytic CSR focuses on outcomes. Be it a woman entrepreneur accessing formal credit, a youth securing sustained employment, or a tribal household gaining financial stability. The capital does not just support an activity; it triggers systemic change.

In a country with ambitious development goals and growing economic aspirations, CSR has the opportunity to play a far more strategic role. Rather than being seen as a charitable obligation, it can be a powerful lever to drive innovation, support high-risk, high-reward solutions, and strengthen long-term capacity in the social sector.

This is particularly true in domains where mainstream funding, be it from government or markets, tends to be risk-averse. Think climate adaptation technologies, local health innovation, or data infrastructure for rural development. These are precisely the spaces where CSR must operate.

CSR as a Portfolio Mindset

Too often, CSR is treated as a singular initiative. In reality, it should be seen as a portfolio, just as businesses diversify financial investments, they must diversify their social impact bets.

Part of this portfolio can continue to support traditional interventions, such as community programs near factories or education efforts in underserved areas. But another part must be earmarked for innovation, investments in R&D, translational research, and new models of impact.

Companies with strong R&D cultures already understand this well. For them, the language of research, pilot cycles, and iteration is familiar. Framing CSR through this lens, a portfolio that balances proven approaches with innovation, can help it resonate more deeply with corporate leadership and drive greater long-term impact.

Different Capital for Different Stages

India's innovation ecosystem needs a range of funding types. Early-stage, high-risk foundational research is often best supported by personal philanthropy or government grants. CSR capital, on the other hand, is well-suited for the translational stage, where ideas are moving from lab to market, but still face the notorious "valley of death."

First comes government support and personal philanthropy to absorb the highest risk. Then CSR steps in to take successful prototypes to scale, fund pilots, or support public-good research initiatives. This tiered capital approach is already in motion; it just needs to be amplified.

Funding Innovation, Not Just Implementation

One of the more encouraging developments has been the increased alignment between CSR and the innovation ecosystem. Indian CSR rules permit companies to fund Department of Science and Technology-approved incubators and research programs. This has opened the door for meaningful investment in deep tech and science-led enterprises, especially when anchored in Indian institutions.

CSR arms are increasingly forging partnerships with leading research institutions and incubators. From enabling the development of India's first indigenously built MRI machine to advancing innovations in sustainable textiles, these collaborations highlight the transformative potential of CSR-backed research.

But What Counts as CSR-Funded R&D?

This is the crux of many boardroom debates. Can automotive companies use CSR to fund innovation in the automobile sector? Yes, if the innovation is for the public good, not private IP. If the output is publicly available, open-source, and accessible even to competitors, it qualifies as CSR.

But if the research is exclusive, or the company controls the IP, it does not. This distinction matters. We need more companies to be confident in navigating it, and auditors, boards, and CFOs need to be better informed.

The Value Beyond Money: Talent and Expertise

When corporations invest in innovation through CSR, they don't just bring money, they bring talent. Their engineers, product managers, and tech experts can add immense value to the startups or research institutions they support. This is something not possible in a typical NGO program.

To realise its full potential, CSR must move beyond charity and implementation, and become an engine for innovation, targeting high-impact areas where mainstream capital fears to tread. With a strategic portfolio approach, smarter risk-taking, and deeper collaboration with India's research and tech ecosystems, CSR can catalyse solutions that shape the country's future.

It's time for corporate India to reimagine CSR not as a cost centre, but as a sandbox for the next generation of social breakthroughs. The future of impact lies not just in spending more, but in spending smarter.