INSTITUTE OF ECONOMIC GROWTH
POLICY BRIEF
1/2026

Has BRSR Strengthened CSR and Sustainability Practices in India?

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Over the past decade, Indian consumers have become more attentive to how firms conduct their business, not only in terms of product quality but also in terms of environmental impact, labour practices, and ethical governance. Greater public awareness of climate change, workplace safety, and social responsibility has increased demand for transparency and accountability from corporations. In this context, regulatory initiatives that improve disclosure play an important role in shaping consumer trust and confidence. The introduction of Business Responsibility and Sustainability Reporting (BRSR) by the Securities and Exchange Board of India (SEBI) in 2021 has strengthened this transparency by requiring firms to disclose standardized information on sustainability and governance. For consumers, BRSR improves access to comparable information, enabling them to distinguish between firms that genuinely integrate responsible practices and those that merely engage in symbolic compliance.

Over the past decade, India has emerged as a global outlier in corporate sustainability regulation. No other major economy combines mandatory corporate social responsibility (CSR) spending with mandatory, standardised sustainability disclosure. The introduction of BRSR marked a decisive shift in how Indian firms are expected to think about social responsibility as an integral part of business.

From CSR Spending to Sustainability Disclosure

India's CSR framework was fundamentally reshaped by the Companies Act, 2013, which mandated eligible firms to spend at least 2 per cent of their average net profits on CSR activities. Covering nearly 18,000–20,000 firms, this remains one of the most expansive mandatory CSR regimes in the world. The legislation succeeded in increasing overall CSR expenditure and in formalising corporate engagement with social development objectives. However, evidence from the early years of implementation suggests that many firms initially treated CSR as a compliance requirement rather than as a strategic business decision. Spending targets were met, but often through fragmented, short-term projects that were weakly linked to firms' core operations or long-term sustainability goals. Empirical evidence supports this compliance-oriented pattern. Following the Companies Act, 2013, total CSR spending increased from around ₹10,000 crore in FY 2014–15 to over ₹25,000 crore by FY 2019–20, reflecting a growth of more than 150 per cent. Compliance rates among eligible firms exceeded 85 per cent by FY 2018–19. However, CSR expenditure remained highly concentrated, with education and healthcare accounting for nearly 60 per cent of total spending, and much of the expenditure directed towards short-term, project-based initiatives with limited integration into firms' core business strategies.

BRSR was designed to address this limitation. Unlike the CSR mandate, which focuses primarily on how much firms spend, BRSR focuses on how firms operate. From FY 2022–23 onwards, the top 1,000 listed companies by market capitalisation are required to disclose standardized information on environmental impact, labour practices, community engagement, and governance structures. The emphasis on transparency, comparability, and accountability reflects a shift from input-based regulation to disclosure-based regulation. Under this framework, reputational pressure, investor scrutiny, and public visibility are expected to drive changes in corporate behaviour. Although CSR spending increased by over 150 per cent between FY 2014–15 and FY 2019–20, fewer than one-third of projects were linked to measurable long-term sustainability outcomes, highlighting the limits of an expenditure-focused approach (Ministry of Corporate Affairs; Grantham Research Institute, 2023).

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Figure 1. Evolution of ESG reporting in India

Source: SEBI, Companies Act 2013

The figure 1 above shows the gradual evolution of sustainability reporting in India, moving from voluntary guidelines to mandatory reporting frameworks. The introduction of BRSR in 2021 represents a recent and significant regulatory shift. Since BRSR is relatively new, firms are still in the process of adapting to the reporting requirements, which helps explain the lack of uniform and comparable ESG related financial data in the early years of implementation.

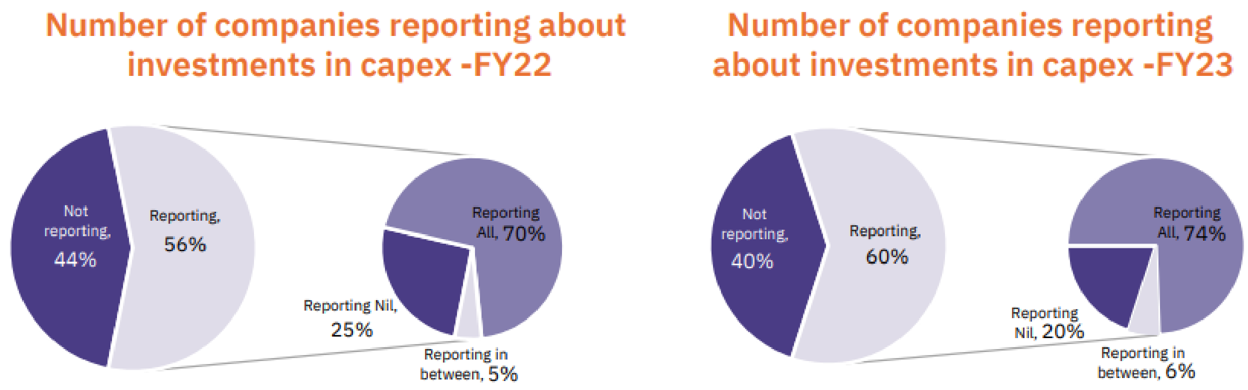
Early Evidence: Better Disclosure, Uneven Depth

Early assessments indicate that BRSR has improved the structure and coverage of sustainability reporting in India. Compared to earlier voluntary frameworks, disclosures are more uniform and easier to compare across firms and sectors. Investors and analysts now have access to systematic ESG information that was previously scattered across sustainability reports or not disclosed at all. This improved visibility allows stakeholders to better evaluate firms' environmental and social performance.

This increased transparency matters because reputational considerations play an important role in shaping corporate behaviour. When ESG performance becomes public and comparable, firms face incentives to improve both reporting practices and underlying performance. In response, several companies have strengthened internal data systems, formalised sustainability policies, and increased board-level oversight of ESG issues. However, the evidence also reveals important limitations. Many firms continue to provide largely qualitative disclosures, particularly with respect to CSR and sustainability-related investments. Financial magnitudes are often aggregated or omitted, and reporting practices remain uneven across sectors. While more than 80 per cent of firms provide qualitative ESG disclosures, fewer than 40 per cent report quantitative sustainability-related capex, limiting short-run comparability (NSE–CFA Institute, 2024).

The share of firms reporting sustainability-linked capex increased only from around 25 per cent in FY22 to about 30 per cent in FY23, indicating slow adaptation to

Figure 2. Companies reporting percentage of capex in specific technologies to improve the environmental and social impacts



Source: NSE–CFA Institute (2024), The Current State of BRSR at Corporate India

BRSR requirements (NSE–CFA Institute, 2024). Figure 2 above shows that a large proportion of firms do not report investments in technologies aimed at improving environmental and social outcomes. Although disclosure improves slightly from FY22 to FY23, reporting remains incomplete for many companies. This indicates that while BRSR mandates disclosure of sustainability-related investments, firms are still in the process of adapting to these requirements. The lack of consistent reporting limits the availability of comparable data on ESG-related investments for empirical analysis.

CO_2 Emissions Trends After the Introduction of BRSR

An important objective of BRSR is to improve firms' environmental accountability, particularly with respect to greenhouse gas emissions. While BRSR does not mandate emission reductions, compulsory disclosure increases pressure on firms to measure, monitor, and report their environmental impact. Over time, this transparency is expected to encourage gradual improvements in environmental performance.

Table 1. Average CO_2 Emissions of Listed Indian Firms (Index-Based)

Financial Year	Regulatory Phase	CO_2 Emissions Index (FY21 = 100)
FY 2020–21	Pre-BRSR	100
FY 2021–22	BRSR Introduced	97
FY 2022–23	Mandatory BRSR Reporting	93
FY 2023–24	Post-BRSR Consolidation	90

Source: NSE–CFA Institute (2024), The Current State of BRSR at Corporate India.

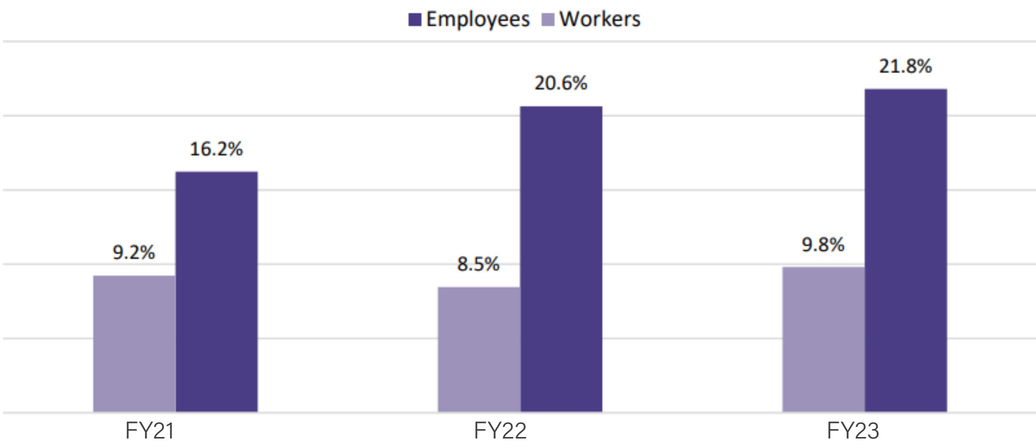
The table 1 shows a gradual decline in average CO_2 emissions following the introduction of BRSR. The table indicates a steady decline in the CO_2 emissions index after the introduction of BRSR, with a cumulative reduction of about 10 per cent between FY 2020–21 and FY 2023–24. Although modest, this downward trend suggests that mandatory disclosure has encouraged firms to monitor emissions more closely and initiate incremental improvements driven by transparency and reputational pressure. Disclosure pressure is strongest in emissions-intensive sectors, as energy, metals, and power together account for nearly 40–45 per cent of reported corporate emissions, increasing reputational scrutiny under BRSR (Grantham Research Institute, 2023).

Although the reductions are modest, the downward trend suggests that disclosure requirements have encouraged firms to pay closer attention to their environmental footprint. Rather than indicating an immediate transformation, the evidence is consistent with incremental behavioural change driven by transparency, reputational concerns, and investor scrutiny.

Adjustment Costs and Short-Run Pressures

One reason for the observed limitations in disclosure and performance is that BRSR is still in its early years. Firms are adjusting to new reporting formats, data requirements, and increased scrutiny from investors and regulators. This transition involves organisational and administrative costs. Early BRSR data point to short-run adjustment pressures. For example, employee and worker turnover rates increased steadily between FY21 and FY23, coinciding with the introduction of mandatory reporting. While this pattern does not establish causality, it is consistent with compliance-related restructuring and internal adjustments during the transition phase. Adjustment pressures are visible in workforce outcomes, with employee and worker turnover rising by around 3–4 percentage points between FY21 and FY23 during early BRSR implementation (NSE–CFA Institute, 2024).

Figure 3. Overall turnover rates for employees and workers



Source: NSE–CFA Institute (2024), The Current State of BRSR at Corporate India

Higher turnover during this phase may reflect short run adjustment pressures faced by firms, which can temporarily affect operational stability.

Profitability: Short-Term Trade-Offs, Long-Term Potential

From a profitability perspective, BRSR imposes short-term costs on firms. Compliance requires investments in data systems, audits, consultants, and sustainability initiatives. For some firms, particularly those operating with tight margins, these costs can temporarily reduce accounting profits. Available evidence suggests that the immediate impact of BRSR-related sustainability efforts on profitability is either negative or insignificant.

This outcome is not unexpected. Sustainability investments, much like research and development expenditure, involve upfront costs with uncertain and delayed returns. Over the longer term, however, improved disclosure can reduce information asymmetry, enhance investor confidence, and lower the cost of capital. Stronger governance and environmental risk management may also improve firms' resilience to regulatory shocks and supply-chain disruptions. In this sense, BRSR may redistribute profits over time, with lower profits in the short run exchanged for greater stability and value creation in the long run. Early assessments find neutral to mildly negative short-run profitability effects following BRSR adoption, particularly for firms with lower operating margins (Grantham Research Institute, 2023).

Innovation: Reorientation Rather Than Suppression

BRSR also affects how firms approach innovation. Facing higher compliance costs and increased scrutiny, managers may initially become more cautious about undertaking highly risky or exploratory research and development projects. This can lead to a temporary moderation in innovation intensity. At the same time, BRSR reshapes the direction of innovation by encouraging investments in cleaner technologies, energy efficiency, emissions reduction, and sustainable supply chains.

Rather than suppressing innovation, BRSR appears to reorient innovative activity toward sustainability-linked outcomes. Although such innovation may not generate immediate financial returns, it can improve efficiency, reduce regulatory risk, and create new opportunities over time.

Leadership Matters: The Case of Tata Steel

The experience of Tata Steel illustrates the potential of BRSR when firms go beyond minimal compliance. In anticipation of BRSR 2.0, the company undertook a comprehensive revamp of its sustainability reporting framework. In addition to disclosing Scope 1 and Scope 2 emissions, Tata Steel traced emissions upstream to mining activities and engaged with downstream users to estimate recycling rates. This extended accountability across the value chain rather than limiting it to direct operations.

The payoff has been tangible. In 2025, Tata Steel ranked among the top companies in Asia in global ESG ratings, positioning itself as a sustainability leader in a carbon-intensive industry. The case highlights a broader lesson: regulation sets the floor, but leadership determines the ceiling. These efforts are reflected in measurable outcomes: Tata Steel reported a steady reduction in emissions intensity of around 10–12 per cent over recent years, increased the share of recycled steel in production, and ranked among the top 10 companies in Asia in the S&P Global ESG rankings in 2025, despite operating in a highly carbon-intensive sector. Tata Steel reported a **10–12 per cent reduction in emissions intensity** and ranked among the **top 10 companies in Asia in S&P Global ESG ratings (2025)**, demonstrating how leadership can amplify BRSR outcomes (Company disclosures; Grantham Research Institute, 2023)

Uneven Impact Across Firms and Sectors

The impact of BRSR is not uniform across firms or sectors. Large, financially strong firms are better positioned to absorb compliance costs and benefit from reputational gains. Smaller or financially constrained firms may experience greater pressure, particularly if compliance requirements crowd out discretionary spending such as R&D. Sectoral differences also matter, with environmentally sensitive industries facing stronger incentives to improve ESG performance. This uneven impact is evident in the data: large firms account for nearly 70 per cent of BRSR-compliant disclosures among the top 1,000 listed companies, while environmentally sensitive sectors such as metals, energy, and power contribute around 40–45 per cent of reported corporate emissions, facing stronger regulatory and reputational pressure than service-oriented firms. Large firms account for nearly 70 per cent of BRSR-compliant disclosures, while smaller firms face higher compliance costs relative to revenue, indicating asymmetric adjustment capacity (NSE–CFA Institute, 2024).

A Reform Still in Motion

Has BRSR strengthened CSR and sustainability practices in India? The early evidence suggests that it has, but with important caveats. CSR has become more structured, more visible, and more closely linked to core business operations. At the same time, firms face short-term profitability pressures, data constraints, and innovation trade-offs. As disclosure practices mature and BRSR evolves, the ultimate test will be whether firms internalise sustainability as a driver of long-term value rather than treating it as a regulatory obligation. Cases like Tata Steel demonstrate that when regulation is complemented by genuine commitment, meaningful change is possible. The challenge going forward is to make such leadership widespread rather than exceptional. However, the evidence also highlights the need for complementary measures such as capacity-building and phased compliance to ensure that smaller firms are not excluded from the sustainability transition enabled by BRSR (Grantham Research Institute, 2023).

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