
CORPORATE SOCIAL RESPONSIBILITY (CSR) PRACTICES IN INDIA: A LEGAL AND PRACTICAL ANALYSIS

Anay Mangal, LL.B., Amity University, Lucknow

Dr. Mudra Singh, Assistant Professor, Amity University, Lucknow

Introduction

Corporate Social Responsibility (CSR) has gradually transformed from a voluntary ethical practice to a structured legal obligation in India. Traditionally, many Indian business houses such as the Tata Group, Birla Group, and Bajaj Group engaged in philanthropy long before CSR became a formal concept. Their contributions toward education, healthcare, and social welfare were largely driven by moral values and a sense of responsibility toward society.¹ However, the globalization of markets, increased corporate influence, and growing socio-economic inequalities prompted governments and regulators worldwide to consider more structured frameworks for corporate accountability.²

India took a pioneering step by incorporating mandatory CSR provisions into corporate law through the enactment of the Companies Act, 2013.³ With the introduction of Section 135, India became the first country in the world to legally mandate CSR spending for certain companies.⁴ The provision requires eligible companies to allocate at least two percent of their average net profits from the preceding three financial years toward CSR activities.⁵ This legislative move fundamentally altered the relationship between corporations and society by formally integrating social responsibility into corporate governance.

The idea behind the legislation was not merely to increase corporate philanthropy but to ensure that businesses contribute meaningfully to national development. By channeling corporate resources into areas such as education, healthcare, environmental sustainability, and poverty alleviation, policymakers hoped to complement government efforts in addressing pressing social challenges.⁶

Despite its ambitious objectives, the mandatory CSR framework has sparked significant debate among scholars, policymakers, and industry leaders. Supporters argue that it has institutionalized social responsibility and significantly increased corporate spending on social

development. Critics, however, question whether legislating philanthropy undermines the voluntary spirit of CSR and leads to superficial compliance rather than genuine commitment.⁷

This paper critically examines the evolution, legal framework, and practical implementation of CSR in India. It analyzes the impact of Section 135 of the Companies Act, 2013, evaluates the successes and shortcomings of CSR practices, and explores potential reforms to enhance the effectiveness of corporate social initiatives. The paper also provides a personal perspective on how CSR can evolve from a regulatory obligation into a strategic tool for sustainable development.

Historical Evolution of CSR in India

CSR in India did not begin with legislation. Instead, it evolved gradually through several stages influenced by cultural values, economic developments, and regulatory changes.

Philanthropic Foundations

In the early stages of industrial development, CSR primarily took the form of philanthropy. Industrialists such as Jamshedji Tata and G.D. Birla believed that businesses had a moral duty to contribute to society. They established schools, hospitals, and charitable trusts that benefited local communities.⁸ These initiatives were largely voluntary and driven by personal values rather than regulatory requirements.

The philanthropic approach dominated the pre-independence era and continued during the early decades after independence. Corporate leaders viewed social welfare as an extension of ethical business conduct, although these initiatives were not integrated into corporate strategies.⁹

State-Controlled Development Phase

After India gained independence in 1947, the government adopted a socialist-inspired economic model. During this period, the state assumed primary responsibility for social welfare and economic development.¹⁰ As a result, the role of private corporations in social development was relatively limited.

CSR activities during this time remained largely philanthropic and sporadic. Businesses operated under strict regulatory controls, and social development initiatives were primarily

government-led.¹¹

Liberalization and Strategic CSR

The economic liberalization reforms of 1991 significantly altered India's corporate landscape. With globalization and increased competition, businesses began to recognize the importance of reputation, stakeholder engagement, and sustainable practices.¹²

CSR gradually evolved into a more strategic concept. Companies began aligning their social initiatives with business objectives, focusing on areas such as environmental sustainability, community development, and employee welfare.

International frameworks such as the UN Global Compact and ISO 26000 guidelines on social responsibility also influenced corporate behavior. Many Indian companies voluntarily adopted CSR policies even before the enactment of mandatory legislation.¹³

Emergence of Mandatory CSR

The turning point came with the enactment of the Companies Act, 2013. Recognizing the growing influence of corporations in the economy, the government introduced a statutory framework requiring eligible companies to allocate resources toward social development.¹⁴ This marked the transition from voluntary CSR to legally mandated corporate responsibility.

Legal Framework Governing CSR in India

Section 135 of the Companies Act, 2013

The cornerstone of CSR regulation in India is Section 135 of the Companies Act, 2013.¹⁵ The provision applies to companies that meet any of the following financial thresholds:

- Net worth of ₹500 crore or more
- Annual turnover of ₹1,000 crore or more
- Net profit of ₹5 crore or more

Companies meeting these criteria are required to spend at least 2% of their average net profits from the previous three financial years on CSR activities.¹⁶

The law also requires companies to establish a CSR Committee of the Board, consisting of at least three directors, including at least one independent director. The committee is responsible for formulating and recommending CSR policies, monitoring implementation, and ensuring compliance with statutory requirements.¹⁷

CSR Policy and Reporting Requirements

The CSR Committee must develop a CSR policy outlining the company's approach to social responsibility and the specific projects it intends to undertake. The Board of Directors is responsible for approving the policy and ensuring that CSR activities are implemented accordingly.¹⁸

Companies must disclose their CSR activities in their annual reports, including:

- Details of CSR expenditure
- Description of projects undertaken
- Reasons for failing to meet the prescribed spending requirement, if applicable

These disclosure requirements aim to enhance transparency and accountability.¹⁹

Schedule VII: Permissible CSR Activities

Schedule VII of the Companies Act provides a broad list of activities that qualify as CSR initiatives.²⁰ These include:

- Eradicating hunger and poverty
- Promoting education
- Gender equality and women empowerment
- Environmental sustainability
- Protection of national heritage
- Rural development projects

- Disaster relief and rehabilitation
- Contributions to government relief funds

The government has periodically updated this list to include emerging priorities such as technology incubators and support for research institutions.²¹

Amendments and Regulatory Developments

The CSR framework has evolved through several amendments and clarifications issued by the Ministry of Corporate Affairs (MCA).

One significant development was the Companies (Amendment) Act, 2019, which introduced stricter compliance mechanisms. Companies failing to spend the required CSR amount must transfer unspent funds to specified government funds or a designated CSR account within a prescribed time frame.²²

The CSR Rules, 2021 further strengthened accountability by introducing mandatory impact assessment for large CSR projects and requiring implementing agencies to register with the MCA.²³

These reforms demonstrate the government's intention to ensure that CSR spending translates into meaningful social outcomes.

Practical Implementation of CSR in India

Since the introduction of mandatory CSR provisions, corporate spending on social initiatives has increased substantially. According to data from the National CSR Portal, companies collectively spent more than ₹24,000 crore on CSR activities in the financial year 2021–22.²⁴

Sectoral Distribution of CSR Spending

CSR spending in India is concentrated in a few key sectors, including:

- Education
- Healthcare

- Rural development
- Environmental sustainability

Education receives the largest share of CSR funding, with companies investing in school infrastructure, scholarships, digital learning programs, and skill development initiatives.²⁵

Healthcare initiatives include building hospitals, supporting vaccination drives, and improving sanitation facilities. During the COVID-19 pandemic, many companies redirected CSR funds toward emergency healthcare support, oxygen supply, and community relief programs.²⁶

Regional Distribution of CSR Funds

Despite the significant increase in CSR spending, regional disparities remain a major concern. A large portion of CSR funds is concentrated in states with strong industrial presence, such as Maharashtra, Gujarat, and Karnataka.²⁷

Remote and economically weaker states often receive comparatively less CSR investment. This uneven distribution raises questions about the effectiveness of CSR in addressing regional inequalities.

Role of Non-Governmental Organizations

Non-governmental organizations (NGOs) play a crucial role in implementing CSR projects. Many companies partner with NGOs that possess expertise in community development and grassroots engagement.²⁸

These collaborations help companies design impactful programs while ensuring efficient utilization of resources. However, the effectiveness of such partnerships varies depending on transparency, governance, and monitoring mechanisms.

Key Challenges in CSR Implementation

Despite its promising potential, the CSR framework in India faces several challenges.

Compliance-Driven Approach

One of the most frequently cited criticisms is that many companies treat CSR as a compliance

requirement rather than a genuine commitment to social responsibility.²⁹

Instead of designing long-term development programs, some companies prefer short-term initiatives that fulfill statutory spending obligations without creating sustainable impact.

Lack of Impact Assessment

Although companies are required to report CSR activities, there is limited evaluation of their actual impact on communities.³⁰

Many reports focus primarily on financial expenditure rather than measurable outcomes. Without robust monitoring mechanisms, it becomes difficult to assess whether CSR initiatives truly benefit society.

Limited Community Participation

Another challenge is the limited involvement of local communities in planning CSR projects. In many cases, companies design programs without adequately understanding the needs of the communities they aim to serve.³¹

As a result, some initiatives fail to address the most pressing local issues.

Administrative and Regulatory Complexity

Companies sometimes face difficulties in navigating the regulatory framework governing CSR. Frequent amendments, reporting requirements, and compliance procedures can create administrative burdens, particularly for smaller companies.³²

Case Studies of CSR Initiatives in India

Tata Group

The Tata Group has long been regarded as a pioneer of CSR in India. Through the Tata Trusts and various corporate initiatives, the group has contributed significantly to education, healthcare, and rural development.³³

Projects such as community health programs and livelihood initiatives have positively impacted millions of people across India.

Reliance Industries

Reliance Industries has implemented large-scale CSR programs in rural transformation, healthcare, and sports development. The company's initiatives focus on empowering rural communities through education and entrepreneurship.³⁴

Infosys Foundation

The Infosys Foundation has been actively involved in promoting education, cultural preservation, and healthcare services. Its initiatives include building libraries, supporting schools, and funding research institutions.³⁵

These examples demonstrate how CSR can create meaningful social impact when integrated into corporate strategies.

Conclusion

Corporate Social Responsibility in India has undergone a remarkable transformation over the past decade. The introduction of mandatory CSR provisions under the Companies Act, 2013 has significantly increased corporate participation in social development and mobilized substantial financial resources for community welfare.³⁶

However, the success of CSR cannot be measured solely by the amount of money spent. Its true value lies in the positive and sustainable changes it brings to society.

While the legal framework has created a strong foundation, several challenges remain, including compliance-driven behavior, limited impact assessment, and unequal distribution of CSR funds.

Addressing these challenges requires a shift in perspective from viewing CSR as a statutory obligation to embracing it as a strategic commitment to sustainable development.

If implemented thoughtfully and collaboratively, CSR has the potential to become a powerful instrument for addressing India's socio-economic challenges and building a more inclusive and equitable society.

Footnotes

1. B. Blowfield & A. Murray, *Corporate Responsibility* (Oxford University Press, 2019).
2. Archie B. Carroll, "Corporate Social Responsibility: Evolution of a Definitional Construct," *Business & Society* (1999).
3. Companies Act, 2013.
4. Ministry of Corporate Affairs, *Corporate Social Responsibility Voluntary Guidelines* (2011).
5. Companies Act, 2013, Section 135(5).
6. Ministry of Corporate Affairs, Government of India, *CSR Policy Rules* (2014).
7. A. Sharma, "Corporate Social Responsibility in India: Challenges and Opportunities," *Indian Journal of Corporate Governance* (2020).
8. M. Sundar, *Corporate Social Responsibility in India* (Sage Publications, 2013).
9. C. Visser, *The Age of Responsibility: CSR 2.0* (John Wiley & Sons, 2011).
10. Government of India, *Planning Commission Reports* (1951–1990).
11. S. Chakrabarty, *Corporate Governance in India* (Oxford University Press, 2015).
12. World Bank, *Corporate Social Responsibility Practices in India* (2013).
13. United Nations Global Compact; ISO 26000.
14. Ministry of Corporate Affairs, *Companies Act Implementation Reports* (2014).
15. Companies Act, 2013, §135.
16. *Ibid.*
17. Companies (Corporate Social Responsibility Policy) Rules, 2014.
18. *Ibid.*
19. Ministry of Corporate Affairs, *CSR Reporting Guidelines*.
20. Companies Act, 2013, Schedule VII.

21. MCA Notification on CSR Amendments (2021).
22. Companies (Amendment) Act, 2019.
23. Companies (CSR Policy) Amendment Rules, 2021.
24. National CSR Portal, Government of India, CSR Expenditure Report 2021–22.
25. Ibid.
26. Ministry of Corporate Affairs COVID-19 CSR Clarifications (2020).
27. National CSR Data Portal Analysis Reports.
28. A. Gupta, “NGOs and Corporate Partnerships in India,” *Development Studies Review* (2018).
29. Sharma, *supra* note 7.
30. Blowfield & Murray, *supra* note 1.
31. World Bank CSR Report (2013).
32. Ministry of Corporate Affairs CSR Compliance Guidelines (2021).
33. Tata Group CSR Reports.
34. Reliance Industries Annual CSR Report.
35. Infosys Foundation Annual Report.
36. Ministry of Corporate Affairs CSR Statistics Report (2022).