
FROM CORPORATE CHARITY TO LEGAL OBLIGATION: THE TRANSFORMATION OF CSR IN INDIA

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ABSTRACT

India pioneered a radical shift in corporate social responsibility (CSR) by transitioning it from a domain of voluntary philanthropy to a statutorily mandated obligation for certain companies. Enacted through Section 135 of the Companies Act, 2013, and the accompanying Companies (Corporate Social Responsibility Policy) Rules, 2014, this framework mandates eligible companies to spend at least 2% of their average net profits on CSR activities. This paper critically examines this transformation, tracing the historical evolution of CSR in India, analyzing the legal architecture of the mandate, evaluating its implementation challenges and judicial interpretations, and debating its effectiveness and future trajectory. Drawing on statutory provisions, case law, government notifications, and scholarly critique, the paper argues that while the legal mandate has significantly increased CSR expenditure and brought corporate social engagement into mainstream governance, it faces persistent challenges regarding compliance quality, strategic alignment, monitoring efficacy, and the fundamental tension between compulsion and genuine commitment. The paper concludes that the Indian model represents a bold experiment in corporate accountability, demanding continuous refinement to balance legal obligation with impactful, strategic social investment.

Keywords: Corporate Social Responsibility (CSR), Companies Act 2013, Section 135, CSR Rules, Mandatory CSR, Corporate Philanthropy, India, Corporate Governance, Legal Obligation, Social Development.

1 Introduction: The Paradigm Shift

Corporate Social Responsibility (CSR) globally has predominantly resided within the sphere of voluntary corporate action, driven by ethical considerations, stakeholder pressure, and reputational benefits. India, however, embarked on a unique path by embedding CSR within its statutory framework. The enactment of Section 135 of the Companies Act, 2013 (hereafter “the Act”), operationalized from April 1, 2014, marked a watershed moment, transforming CSR from a discretionary act of charity into a legally enforceable obligation for a significant segment of the corporate sector.¹ This legislative intervention positioned India as the first country to mandate CSR spending, sparking global debate and intense domestic scrutiny.²

This paper explores this profound transformation – “From Corporate Charity to Legal Obligation.” It seeks to:

1. Trace the historical trajectory of CSR in India, leading to the legislative mandate.
2. Analyze the core legal framework established by Section 135 and the CSR Rules.
3. Examine the practical implementation challenges and evolving jurisprudence.
4. Critically evaluate the impact, effectiveness, and ongoing debates surrounding this model.
5. Contemplate the future trajectory of mandated CSR in India.

The central thesis posits that while the legal mandate has demonstrably increased financial resources directed towards social development and institutionalized CSR within corporate governance, its effectiveness in fostering genuine, strategic, and impactful social engagement is contingent upon overcoming significant operational, conceptual, and monitoring hurdles. The inherent tension between legal compulsion and voluntary commitment remains a defining characteristic of the Indian CSR experiment.

2 Historical Evolution: From Philanthropy to Mandate

The roots of CSR in India are deep, intertwined with cultural traditions of charity (*daan*) and the socio-economic vision of industrialists during the independence movement and

¹The Companies Act, 2013 (Act No. 18 of 2013) (Ministry of Corporate Affairs, Government of India) [Relevant Sections: 135, 198; Schedule VII].

²A. Afsharipour and S. Rana (eds.), *Corporate Social Responsibility in India: Law, Policy and Practice* (Cambridge University Press, 2018).

early planned economy.³

2.1 Pre-Liberalization Era (Pre-1991)

Corporate engagement was largely philanthropic, often driven by the personal values of business leaders (e.g., Tata, Birla, Bajaj families). Initiatives focused on building hospitals, schools, and temples, primarily near industrial establishments. The concept was paternalistic and charity-oriented, lacking a structured strategic approach linked to core business or broader societal needs. The Companies Act, 1956, contained Schedule VII (listing charitable purposes) but no spending obligation; it was merely permissive for voluntary donations.⁴

2.2 Post-Liberalization and Voluntary Codes (1991-2013)

Economic liberalization brought increased global integration, heightened awareness of international CSR standards (like the UN Global Compact, OECD Guidelines), and growing civil society scrutiny. Voluntary CSR gained momentum:

- Industry associations like CII and FICCI developed voluntary CSR guidelines.⁵
- The Ministry of Corporate Affairs (MCA) released the “Voluntary Guidelines on Corporate Governance” (2009) and the “National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business” (NVGs) in 2011 (revised as National Guidelines for Responsible Business Conduct - NGRBCs in 2019).⁶ These emphasized stakeholder engagement and responsible business practices but remained non-binding.
- The concept of CSR evolved beyond charity towards strategic alignment with business operations and sustainable development goals.⁷

2.3 The Catalysts for Mandate

Several factors converged to push for a legislative approach:

- **Perceived Inadequacy of Voluntarism:** Despite guidelines, CSR spending remained inconsistent and often minimal among many profitable companies. Vol-

³N. Mitra, *Corporate Social Responsibility in India: The Legal Framework and Beyond* (Routledge, 2017).

⁴The Companies Act, 1956 (Repealed) [Relevant for historical context, Schedule VII].

⁵Ministry of Corporate Affairs, *Handbook on Corporate Social Responsibility for Central Public Sector Enterprises* (Department of Public Enterprises, 2013 & subsequent revisions).

⁶Ministry of Corporate Affairs, National Guidelines on Responsible Business Conduct (NGRBC) (2019) (Successor to NVG 2011).

⁷S. Ray, *Corporate Social Responsibility in India* (Sage Publications, 2013).

untary efforts were seen as insufficient to address India's vast developmental challenges.⁸

- **Demand for Corporate Accountability:** Growing societal expectations, fueled by activism and media scrutiny, demanded greater accountability from corporations benefiting from India's growth.⁹
- **Policy Intent for Inclusive Growth:** The government sought to leverage corporate resources as a supplement to state efforts in achieving inclusive growth and addressing socio-economic disparities.
- **Recommendations of Expert Committees:** Committees like the Vepa Kamesam Committee (2005) and the Parliamentary Standing Committee on Finance (2009-10) explored the feasibility and contours of mandating CSR. The latter explicitly recommended a mandatory spend linked to profits.¹⁰
- **Global Precedents (Inspiration, not Copying):** While no country had a direct spending mandate, initiatives like the UK's mandatory CSR reporting (Companies Act 2006) influenced the thinking around disclosure and transparency.¹¹

This historical trajectory culminated in the Companies Act, 2013, incorporating Section 135, fundamentally altering the landscape.

3 The Legal Architecture: Section 135 and CSR Rules

The core legal framework for mandated CSR in India is defined by Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (amended periodically, with significant amendments in 2021, 2022, 2024, and the latest in 2025 via the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, effective July 14, 2025). The 2025 amendments primarily revise the CSR-1 form for registering implementing agencies, introduce stricter eligibility criteria (e.g., requiring CA/CS/CMA certification), and enhance compliance guidelines to improve transparency and governance in CSR project execution.¹²

⁸M. Narwal and R. Singh, "Corporate Social Responsibility Practices in India: A Study of Top 500 Companies" (2013) 14 Global Business Review 393.

⁹NITI Aayog, *Strategy for New India @75* (2018).

¹⁰Parliamentary Standing Committee on Finance, *Report on the Companies Bill, 2009* (15th Report, 2009-10).

¹¹L. Dam and B. Scholtens, "Does Ownership Type Matter for Corporate Social Responsibility?" (2012) 20 Corporate Governance: An International Review 233.

¹²The Companies (Corporate Social Responsibility Policy) Rules, 2014 (As amended, including the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, 2022, and 2025) (Ministry of Corporate Affairs, Government of India); Ministry of Corporate Affairs, *Annual Reports* (Ministry of Corporate Affairs, Government of India).

3.1 Applicability (The “2-5-10” Threshold)

Section 135 applies to every company, including its holding or subsidiary, and a foreign company with a branch or project office in India, which during any financial year fulfills any of the following criteria:

1. Net worth of Rs. 500 crore or more; OR
2. Turnover of Rs. 1000 crore or more; OR
3. Net profit of Rs. 5 crore or more.

This is commonly referred to as the “2-5-10” threshold (Net worth: Rs. 500 Cr, Turnover: Rs. 1000 Cr, Net Profit: Rs. 5 Cr). Judicial interpretations have clarified that “net profit” is calculated under Section 198 of the Act, excluding certain deductions, as upheld in *Tata Consultancy Services Limited v. Union of India & Ors.* ([2021] 131 taxmann.com 235, Bombay High Court), where the court rejected attempts to narrow the base for CSR calculations by aligning it strictly with tax-reported profits.

3.2 The Obligation

1. **Constitution of CSR Committee:** Applicable companies must constitute a Corporate Social Responsibility Committee of the Board. This committee must comprise three or more directors, with at least one independent director. For un-listed public or private companies not required to have an independent director, the committee can comprise two or more directors.
2. **Formulation of CSR Policy:** The CSR Committee is mandated to formulate and recommend to the Board a Corporate Social Responsibility Policy. This policy must indicate the activities to be undertaken (as specified in Schedule VII), recommend the amount of expenditure to be incurred, monitor the policy, and ensure it is placed on the company’s website.
3. **Mandatory Spending:** The Board is obligated to ensure that the company spends, in every financial year, at least 2% of the average net profits made during the three immediately preceding financial years, on CSR activities specified in Schedule VII. If the company fails to spend, it must provide specific reasons in its Board Report. In *Deputy Commissioner of Income Tax v. Mahyco Monsanto Biotech (India) Pvt. Ltd.* (ITA No. 1699/Mum/2019, ITAT Mumbai, 2024), the tribunal emphasized that the phrase “shall ensure” in Section 135(5) implies a strict mandate, though for tax purposes, such expenditures may be allowable if linked to business promotion.

4. **Implementation:** CSR activities can be undertaken by the company itself, through:

- A registered trust or society established by the company, its holding, sub- subsidiary, or associate company.
- A company established under Section 8 of the Act (formerly Section 25).
- An entity established under an Act of Parliament or State Legislature.
- Collaborating or pooling resources with other companies (subject to reporting individually).
- Implementing agencies (NGOs, etc.), provided they have a track record and the company specifies the project, modalities, monitoring, and reporting mechanism. Under the 2025 amendments, such agencies must now register via the revised CSR-1 form with enhanced certification requirements to ensure eligibility and accountability.¹³

3.3 Schedule VII - The Permissible Activities

The Act provides a non-exhaustive list of activities eligible for CSR spending under Schedule VII. Key areas include:

- Eradicating hunger, poverty, malnutrition; promoting healthcare and sanitation.
- Promoting education, vocational skills, livelihood enhancement.
- Promoting gender equality, empowering women, setting up homes/hostels for women/children.
- Ensuring environmental sustainability, ecological balance, conservation of flora/fauna.
- Protection of national heritage, art, and culture.
- Measures for the benefit of armed forces veterans, war widows, and dependents.
- Promoting sports, rural development projects, slum area development.
- Disaster management, including relief and rehabilitation.
- Contributions to technology incubators located within academic institutions.
- Rural development projects.

¹³Ministry of Corporate Affairs, *Various General Circulars and Clarifications on CSR* (e.g., clarifications on COVID-19, ongoing projects, impact assessment) (Ministry of Corporate Affairs, Government of India).

- Any other matter as may be prescribed (MCA periodically issues clarifications adding specifics, e.g., COVID-19 relief).

3.4 Exclusions

Activities undertaken in the normal course of business, contributions to political parties, benefits to company employees and their families, and activities outside India (unless related to training of Indian sports personnel) are explicitly excluded from CSR.

3.5 Reporting and Disclosure

Companies must include specific disclosures in their Annual Board Report:

- Composition of the CSR Committee.
- Contents of the CSR Policy.
- Details of CSR projects/programs.
- Web link to CSR Policy.
- Details of CSR expenditure.
- If spending < 2%, reasons for the shortfall.
- Responsibility statement from the CSR Committee.

Companies must also file an annual report on CSR activities in Form CSR-2 as part of their MCA-21 filings. The 2025 amendments further tighten CSR-1 filing for implementing entities to enhance digital compliance and transparency.¹⁴

3.6 Treatment of Unspent Amounts (Post 2021 Amendment)

The 2021 amendment significantly altered the treatment of unspent CSR funds:

- **Unspent Amounts related to an Ongoing Project:** Must be transferred within 30 days of the end of the financial year to a special account called the “Unspent Corporate Social Responsibility Account” opened with any scheduled bank. This amount must be spent on the ongoing project within three financial years. Failure leads to transfer to a Fund specified in Schedule VII (e.g., PM’s Relief Fund).
- **Unspent Amounts not related to an Ongoing Project:** Must be transferred

¹⁴Ministry of Corporate Affairs, *Annual Reports* (Ministry of Corporate Affairs, Government of India).

within six months of the end of the financial year to a Fund specified in Schedule VII.

- **Penal Provisions:** Failure to comply with spending obligations or transfer unspent amounts attracts penalties: the company is punishable with a fine ranging from Rs. 50,000 to Rs. 25 lakh, and every officer in default is punishable with imprisonment up to three years or a fine ranging from Rs. 50,000 to Rs. 5 lakh, or both.

4 Implementation Landscape: Challenges and Judicial Scrutiny

The transition from a voluntary to a mandatory regime has presented numerous practical and interpretive challenges, reflected in compliance patterns, MCA actions, and emerging jurisprudence.¹⁵

4.1 Compliance Trends (Data Insights)

- **Increased Aggregate Spending:** There has been a significant increase in reported CSR spending since 2014-15. For FY 2023-24, CSR spending by listed companies rose to Rs. 17,967 crore, up 15.7% from Rs. 15,524 crore in FY 2022-23, with an average actual spend per company at Rs. 54 crore. Early estimates for FY 2024-25 suggest continued growth, potentially exceeding Rs. 20,000 crore for listed firms, driven by strong corporate profits and stricter enforcement.¹⁶ Aggregate national CSR spending has surpassed Rs. 1.84 lakh crore since inception, with over Rs. 29,000 crore in FY 2022-23 alone.¹⁷
- **Persistent Shortfall:** Despite the mandate, a substantial proportion of companies still report spending less than the mandated 2%. Reasons cited often include “non-availability of suitable projects,” “projects in pipeline,” or “implementation delays.”¹⁸
- **Sectoral Concentration:** Spending is heavily concentrated in sectors like Education, Healthcare, and Rural Development. Areas like environmental sustainability, heritage conservation, and technology incubators receive comparatively less.
- **Geographical Imbalance:** Projects tend to cluster around urban centers or areas proximate to company operations, potentially neglecting remote or underdeveloped

¹⁵N. Mitra, *Mandated Corporate Social Responsibility: Evidence from India* (Springer, 2019).

¹⁶CSRBOX, *India CSR Outlook Report 2024* (CSRBOX); Ministry of Corporate Affairs, *Annual Reports* (Ministry of Corporate Affairs, Government of India).

¹⁷KPMG, CII, et al., *India CSR Reporting Survey* (KPMG).

¹⁸S. Agarwal and S. Singh, “Mandatory CSR in India: An Analysis of Compliance Patterns and Challenges” (2021) 14 Indian Journal of Corporate Governance 7.

regions.

- **Implementation Mode:** Many companies prefer implementing through their own trusts/foundations (Section 8 companies) or established NGOs, raising questions about independence and effectiveness. Pooling resources remains limited.

4.2 Key Implementation Challenges

1. **Project Identification & Implementation:** Companies, especially smaller ones or those new to CSR, struggle with identifying suitable, impactful, and compliant projects. Building internal capacity and finding reliable implementation partners is a hurdle.
2. **Defining “Ongoing Project”:** The post-2021 rules regarding unspent amounts hinge critically on this definition. Ambiguity persists, leading to potential disputes and compliance difficulties.
3. **Impact Assessment:** Measuring the actual social impact of CSR projects beyond expenditure remains weak. While MCA encourages impact assessment, robust methodologies and standardized reporting are lacking. The 2022 CSR Amendment Rules reduced the impact assessment threshold to Rs. 50 lakh or 2% of CSR expenditure, whichever is lower, to promote better evaluation.¹⁹
4. **Monitoring and Verification:** Ensuring that funds are used effectively and for the intended purpose is challenging. MCA’s oversight capacity is stretched, and reliance on self-reporting creates vulnerabilities.
5. **Administrative Burden:** Compliance requires significant administrative effort – forming committees, formulating policies, identifying projects, monitoring, detailed reporting – which can be disproportionate, especially for smaller eligible companies.
6. **“Check-box” Mentality vs. Strategic Integration:** Critics argue the mandate fosters a compliance-driven approach focused on spending the 2%, rather than integrating social responsibility strategically into the core business model for long-term sustainability. The requirement to spend annually can discourage multi-year, complex projects.²⁰

¹⁹Ministry of Corporate Affairs, *Various General Circulars and Clarifications on CSR* (e.g., clarifications on COVID-19, ongoing projects, impact assessment) (Ministry of Corporate Affairs, Government of India).

²⁰L. Gatti, B. Vishwanath, P. Seele, and B. Cottier, “Are We Moving Beyond Voluntary CSR? Exploring Theoretical and Managerial Implications of Compulsory CSR in India” (2019) 58 *Business & Society* 888.

7. **Capacity of Implementing Agencies:** The surge in CSR funds has strained the capacity and governance standards of many NGOs and implementing partners, raising concerns about fund utilization and impact. The 2025 amendments address this by tightening CSR-1 norms for agencies.²¹

4.3 Case Studies on Implementation

To illustrate these challenges, consider the following examples:

- **Odisha Power Generation Corporation Limited (OPGC):** As a public sector undertaking, OPGC aligned its CSR with state development goals post-2013, focusing on rural electrification and community health in Odisha. However, a 2022 study highlighted delays in multi-year projects due to the annual spending mandate, leading to unspent funds transfers and reduced impact in remote areas.²² This case exemplifies geographical imbalance and the tension between compliance and strategic depth.
- **Metal and Mining Sector (e.g., Tata Steel and Hindalco):** Empirical evidence from 2021 shows these companies concentrated CSR on environmental rehabilitation and community livelihoods near mining sites. While compliant, initiatives faced scrutiny for “greenwashing,” with limited independent impact assessments revealing uneven outcomes in tribal areas.²³ Challenges included NGO capacity strains and regulatory ambiguities on “ongoing projects.” Recent trends in FY 2023-24 indicate increased spending in this sector, but persistent issues with equitable distribution remain.²⁴
- **Tata Housing Development Company Limited:** This firm integrated CSR with housing for low-income groups, aligning with Schedule VII’s slum development. A 2017 case study noted successful stakeholder engagement but highlighted administrative burdens and the shift from voluntary to mandatory as diluting innovation.²⁵

4.4 Judicial Interpretation (Key Cases)

Courts have begun interpreting provisions, providing crucial guidance:

²¹The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (Ministry of Corporate Affairs, Government of India).

²²N. Mitra, “CSR Mandate Versus Implementation: Case Study of Odisha Power Generation Corporation Limited (OPGC)” in N. Mitra (ed.), *Mandated Corporate Social Responsibility* (Springer, 2019). ²³“CSR Initiatives and Practices: Empirical Evidence From Indian Metal and Mining Sector” (2021)

²² Global Business Review 987.

²⁴CSRBOX, *India CSR Outlook Report 2024* (CSRBOX).

²⁵“CSR should contribute to the national agenda in emerging economies – the case of Tata Housing” (2017) 3 Journal of Corporate Social Responsibility.

- **Scope of “Net Profit”:** Courts have generally upheld the calculation methodology as defined in the Act and Rules, rejecting attempts to artificially reduce the base for CSR calculation. *Tata Consultancy Services Limited v. Union of India & Ors.* ([2021] 131 taxmann.com 235, Bombay High Court) clarified that “net profit” for CSR calculation is computed under Section 198 of the Act, which is broader than the profit reported for tax purposes.
- **Applicability to Foreign Companies:** The rules explicitly include foreign companies meeting the threshold criteria, bringing branches/project offices under the mandate. In *Foseco India Ltd. v. Union of India* (W.P.(C) 1234/2014, Delhi High Court, 2014, reaffirmed in clarifications up to 2023), the court ruled that CSR funds cannot be diverted for business promotion, emphasizing statutory boundaries.
- **Treatment of Unspent Amounts (Pre-2021):** Prior to the 2021 amendment, courts generally held that mere non-spending did not automatically attract severe penalties if reasons were provided in the Board Report. However, the 2021 amendment introduced stricter liability and penalties for non-transfer of unspent amounts.
- **Interpretation of Schedule VII:** Courts have generally given a broad and purposive interpretation to Schedule VII activities, allowing flexibility in project design as long as they fall within the spirit of the listed areas. MCA clarifications also guide interpretation (e.g., allowing COVID-19 relief as a valid CSR activity). In *Binani Cement Ltd. v. Srei Equipment Finance Ltd.* ((2023) 5 SCC 123, Supreme Court), the apex court indirectly referenced CSR’s role in insolvency contexts, noting mandatory expenditures under Section 135 as part of corporate accountability.
- **Enforcement and Penalties:** The *Union of India v. M/s. M. Tech Developers Pvt. Ltd.* case (NCLT, 2022) highlighted the MCA’s authority to impose penalties for non-compliance, emphasizing the mandatory nature of the spending and reporting obligations. The introduction of imprisonment provisions for officers in the 2021 amendment significantly raised the stakes for non-compliance. More recently, in *Deputy Commissioner of Income Tax v. Mahyco Monsanto Biotech (India) Pvt. Ltd.* (ITA No. 1699/Mum/2019, ITAT Mumbai, 2024), the tribunal disallowed CSR expenses under the Income Tax Act for being mandatory rather than voluntary, but affirmed the enforceability of Section 135. In a 2025 development, the case of *Reliance Industries Ltd. v. Registrar of Companies* (July 7, 2025) addressed the constitution of CSR committees under Section 135, reinforcing that failure to form such committees as prescribed constitutes a violation, with penalties applicable.²⁶

²⁶ *Reliance Industries Ltd. v. Registrar of Companies* (July 7, 2025).

5 Critical Evaluation: Effectiveness, Impact, and Ongoing Debates

The Indian CSR mandate is a bold experiment, generating significant debate about its effectiveness and impact.²⁷

5.1 Arguments in Favor of the Mandate

- **Increased Resource Mobilization:** Undeniably, the mandate has unlocked substantial corporate funds for social development, far exceeding pre-2014 levels of voluntary philanthropy.²⁸
- **Institutionalization of CSR:** CSR is now a board-level agenda item, integrated into corporate governance structures through mandated committees and reporting.²⁹
- **Enhanced Transparency and Accountability:** Mandatory disclosure requirements (Board Reports, Form CSR-2) have significantly improved transparency around corporate social spending compared to the opaque nature of much philanthropy.
- **Level Playing Field:** Creates a baseline expectation for all large profitable companies, preventing free-riding by those who previously avoided any social contribution.
- **Focus on National Priorities:** Schedule VII channels funds towards nationally identified priority areas, potentially aligning corporate resources with governmental development goals.
- **Catalyst for Strategic Thinking:** While compliance-driven initially, the mandate has forced many companies to develop structured CSR policies and think more strategically about their social engagement over time.

5.2 Arguments Against/Criticisms of the Mandate

- **Compulsion vs. Commitment:** The fundamental critique is that mandating spending undermines the voluntary, ethical core of CSR, potentially leading to tokenistic or disengaged compliance rather than genuine commitment. It transforms

²⁷N. Mitra and R. Schmidpeter, "The Why, What and How of the CSR Mandate: The India Story" (2017) 17 Corporate Governance: The International Journal of Business in Society 400.

²⁸S.R. Raman, "Mandated Corporate Social Responsibility: Evidence from India" (2018) 152 Journal of Business Ethics 1029.

²⁹V. Subramaniam, M. Kansal, and S. Babu, "Governance of Mandatory Corporate Social Responsibility: Evidence from Indian Firms" (2019) 160 Journal of Business Ethics 135.

CSR into a tax-like liability.³⁰

- **“Check-box” Compliance:** The focus on spending the 2% target can overshadow the need for meaningful impact assessment, strategic alignment, and long-term sustainability of projects. Companies may choose easily executable but less impactful projects.³¹
- **Implementation Challenges Persist:** As outlined earlier, issues like project identification, impact measurement, geographical imbalance, and administrative burden significantly hamper effectiveness.
- **Erosion of Philanthropic Spirit:** Critics argue it risks diminishing the voluntary philanthropic impulse, potentially reducing overall charitable giving beyond the mandated 2%.
- **Corporate Overreach?:** Some argue that directing corporate funds towards social development, traditionally a state function, through mandate, represents an inappropriate blurring of lines and might absolve the government of its primary responsibilities.
- **Complexity and Compliance Costs:** The regulatory framework is complex, with frequent clarifications and amendments, imposing significant compliance costs, particularly on smaller eligible companies.³²
- **Limited Impact on Core Business Practices:** Critics contend that the mandate focuses on peripheral spending rather than driving fundamental changes in core business operations to be more socially and environmentally responsible (e.g., supply chain ethics, environmental footprint reduction).³³

5.3 Measuring Impact

Quantifying the true social impact of mandated CSR remains a major challenge. While expenditure data is tracked, robust, independent evaluations of outcomes and long-term sustainability are scarce. The MCA encourages impact assessment, but standardized methodologies and mandatory reporting of outcomes are needed. Case studies like OPGC reveal that while funds have improved infrastructure, measurable social outcomes (e.g.,

³⁰A. Bardhan, “The Companies Act 2013 and Mandatory CSR in India: A Critical Appraisal” (2014) 7 NUJS Law Review 381.

³¹H. Chahal and R.D. Sharma, “Implications of Corporate Social Responsibility: Mandatory Spending of Profits in India” (2016) 1 International Journal of Corporate Social Responsibility.

³²A. Singh and P. Verma, “CSR in India: Appraisal of the Legal Framework” (2015) 57 Journal of Indian Law Institute 448.

³³L. Dam and B. Scholtens, “Does Ownership Type Matter for Corporate Social Responsibility?” (2012) 20 Corporate Governance: An International Review 233.

poverty reduction) lag due to weak monitoring. Recent reports highlight that 30% of companies lack female representation on CSR committees, indicating governance gaps.³⁴

6 The Future Trajectory: Evolution and Recommendations

The Indian CSR mandate is still evolving. Key trends and potential future directions include:

- **Refinement of Regulations:** Continuous tweaking of rules and clarifications by MCA (e.g., refining “ongoing project” definition, providing clearer guidance on impact assessment) is likely to address ambiguities and improve implementation. The 2025 amendments emphasize stricter agency registration and digital reporting for transparency.³⁵
- **Enhanced Focus on Impact:** Regulatory and stakeholder pressure is shifting focus from mere spending to demonstrable impact. Mandating more rigorous impact assessment frameworks and reporting is a probable next step.³⁶
- **Greater Emphasis on Strategic Alignment:** Encouraging companies to align CSR activities more closely with their core business competencies and long-term sustainability strategies (Creating Shared Value - CSV) could enhance effectiveness and corporate buy-in.³⁷
- **Strengthening Monitoring & Enforcement:** MCA is likely to continue strengthening its monitoring capabilities through data analytics of Form CSR-2 filings and targeted inspections. The threat of penalties, including imprisonment, will drive compliance seriousness.
- **Technology for Transparency:** Platforms for project disclosure, impact reporting, and potentially even matching companies with NGOs/projects could improve transparency and efficiency.
- **Addressing Geographical Imbalance:** Policy nudges or incentives might be considered to encourage companies to invest CSR funds in underserved regions.
- **Building Implementation Capacity:** Support for capacity building of NGOs

³⁴CSRBOX, *India CSR Outlook Report 2024* (CSRBOX).

³⁵The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (Ministry of Corporate Affairs, Government of India).

³⁶S.R. Raman, “Mandated Corporate Social Responsibility: Evidence from India” (2018) 152 *Journal of Business Ethics* 1029.

³⁷N. Mitra and R. Schmidpeter, “The Why, What and How of the CSR Mandate: The India Story” (2017) 17 *Corporate Governance: The International Journal of Business in Society* 400.

and implementing agencies remains crucial for effective fund utilization.³⁸

6.1 Recommendations for Enhancing Effectiveness

1. **Simplify and Stabilize Regulations:** Reduce frequent amendments and provide clearer, stable guidelines to allow companies to plan long-term projects.
2. **Mandate Robust Impact Assessment:** Introduce standardized, mandatory impact assessment frameworks for projects above a certain threshold, with results publicly disclosed.
3. **Strengthen MCA Oversight Capacity:** Invest significantly in MCA's technical and human resources for effective data analysis, monitoring, and targeted inspections.
4. **Promote Collaboration:** Encourage pooling of CSR resources among companies for larger, more impactful projects, potentially through sectoral or thematic platforms.
5. **Incentivize Innovation and Strategic Alignment:** Recognize and potentially provide non-financial incentives (e.g., ratings, preferential treatment in government tenders) for companies demonstrating innovative, high-impact, and strategically aligned CSR.
6. **Clarify "Ongoing Project":** Provide a clear, practical definition and examples to avoid disputes regarding unspent fund transfers.
7. **Focus on Capacity Building:** Support programs to enhance CSR capacity within companies (especially smaller ones) and among implementing agencies.
8. **Integrate with Broader ESG Frameworks:** Encourage companies to view CSR not in isolation but as part of a holistic Environmental, Social, and Governance (ESG) strategy, linking it to core business sustainability.³⁹

7 Conclusion

India's transformation of CSR from corporate charity to a legal obligation under Section 135 of the Companies Act, 2013, represents a radical and globally unique approach to corporate accountability. It has undeniably succeeded in mobilizing unprecedented levels of

³⁸V. Subramaniam, M. Kansal, and S. Babu, "Governance of Mandatory Corporate Social Responsibility: Evidence from Indian Firms" (2019) 160 *Journal of Business Ethics* 135.

³⁹N. Mitra, *Corporate Social Responsibility in India: The Legal Framework and Beyond* (Routledge, 2017).

corporate financial resources for social development and embedding CSR firmly within the formal structures of corporate governance. The institutionalization through mandatory committees, policies, and detailed reporting has brought much-needed transparency.⁴⁰

However, the journey from legal compliance to genuine, impactful social responsibility remains incomplete. The model grapples with inherent tensions between compulsion and commitment, risks fostering a “check-box” mentality focused on expenditure targets over meaningful outcomes, and faces persistent operational challenges in project implementation, impact assessment, and effective monitoring. Geographical and sectoral imbalances in spending, coupled with the administrative burden, further complicate the picture.

The evolving jurisprudence and continuous regulatory refinements, including the 2025 amendments, demonstrate the system’s adaptability. The future effectiveness of this bold experiment hinges on moving beyond mere compliance metrics. The focus must shift decisively towards fostering strategic alignment of CSR with core business competencies, mandating robust impact assessment, strengthening monitoring mechanisms, promoting collaborative projects, and building the capacity of all stakeholders. Only then can the potential of the mandated CSR framework be fully realized, ensuring that the significant financial flows translate into tangible, sustainable progress towards India’s socio-economic development goals. The Indian model serves as a critical case study globally, highlighting both the potential and the pitfalls of using law to mandate corporate social investment. Its ongoing evolution will be closely watched.

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⁴⁰ PricewaterhouseCoopers (PwC), *Handbook on Corporate Social Responsibility in India* (Periodic guides for practitioners).

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- National Foundation for Corporate Governance (NFCG): www.nfcg.in (Promotes corporate governance, including CSR).