CORPORATE SOCIAL RESPONSIBILITY IN INDIA: LEGAL FRAMEWORK AND EMERGING CHALLENGES

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ABSTRACT

Corporate Social Responsibility (CSR) in India has undergone a significant transformation from a largely voluntary form of corporate philanthropy into a statutory responsibility governed by a detailed legal and regulatory framework. The Companies Act, 2013, particularly Section 135 and Schedule VII, established the principal legal foundation for mandatory CSR by requiring companies satisfying prescribed financial thresholds to undertake specified social-development activities and to spend at least two per cent of their average net profits in accordance with the statutory framework. The Companies (Corporate Social Responsibility Policy) Rules, 2014 further developed the institutional and procedural aspects of CSR, including CSR policy, implementation, reporting, monitoring and impact assessment. The development of the legal framework has been accompanied by several amendments and regulatory initiatives intended to improve transparency, accountability and effectiveness. The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 and 2022 introduced important changes concerning CSR implementation, impact assessment, reporting and compliance. Alongside the CSR framework, the Securities and Exchange Board of India (SEBI) has developed the Business Responsibility and Sustainability Reporting (BRSR) framework, followed by BRSR Core and value-chain disclosures, thereby expanding the regulatory emphasis on environmental, social and governance performance. Despite these developments, the effectiveness of CSR cannot be measured only by the amount of money spent. The implementation of CSR continues to face challenges relating to compliance-oriented approaches, impact measurement, monitoring, transparency, implementing agencies, internal corporate capacity, regional disparities and coordination with government programmes. The central challenge is therefore to move CSR from a narrow expenditure-based model towards meaningful and measurable social impact. This article examines the evolution, legislative framework, recent regulatory developments and emerging challenges of CSR in India and argues that the future effectiveness of the framework depends upon stronger implementation, credible impact assessment, stakeholder participation and greater accountability.

Keywords: Corporate Social Responsibility, Section 135, Companies Act, 2013, Schedule VII, CSR Rules, Corporate Governance, BRSR, ESG, Social Impact.

1. Introduction

Corporate Social Responsibility has become an important component of contemporary corporate governance. The modern corporation does not operate in isolation. Its activities affect employees, consumers, investors, communities, the environment and the broader economy. Consequently, the responsibilities associated with corporate activity have increasingly been understood as extending beyond the traditional objective of generating profits. CSR represents this broader understanding of the relationship between business and society. In its earlier form, CSR was commonly associated with philanthropy, charity and voluntary contributions to social causes. Corporate organisations often supported education, healthcare, community welfare and other social initiatives as part of their voluntary activities. Over time, however, the concept developed beyond charitable giving. It increasingly came to include ethical business conduct, stakeholder interests, environmental responsibility, employee welfare and sustainable development. The uploaded material traces this development in India from voluntary corporate responsibility towards a more structured and legally regulated model. India occupies a distinctive position in this development because it introduced a statutory framework requiring qualifying companies to undertake CSR. The Companies Act, 2013 transformed the character of CSR by introducing Section 135 and Schedule VII. Companies satisfying specified financial criteria are required to comply with statutory CSR requirements, including the constitution of an appropriate institutional mechanism, formulation of a CSR policy and expenditure on prescribed activities.

The transition from voluntary CSR to mandatory CSR was not sudden. The Ministry of Corporate Affairs had already begun formalising the concept through the *Corporate Social Responsibility Voluntary Guidelines, 2009.* These guidelines addressed matters such as stakeholder engagement, ethical business practices, worker welfare, human rights, environmental responsibility and social development. The development reflected an increasing recognition that corporations should consider the consequences of their activities for society and the environment. The Companies Act, 2013 subsequently provided a statutory structure for this responsibility. Section 135 applies to companies meeting any one of the specified financial thresholds: net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more during the immediately preceding financial year. Such companies are required to spend at least two per cent of their average net profits of the three immediately preceding financial years on CSR activities. The statutory framework has consequently created a mechanism through which corporate resources can be directed towards social development. However, the existence of a legal expenditure requirement does not automatically guarantee meaningful social outcomes. A company may satisfy the prescribed financial requirement without necessarily producing a corresponding level of social impact. This distinction between CSR expenditure and CSR effectiveness has become one of the central concerns in the implementation of the Indian framework. The available material identifies several difficulties, including compliance-oriented approaches, unclear guidelines, inadequate monitoring, weak impact assessment, difficulties in identifying credible implementing organisations and insufficient internal capacity. These concerns suggest that the effectiveness of CSR should not be evaluated exclusively through financial figures.

The regulatory environment has also expanded beyond Section 135. The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 and 2022 introduced further changes relating to implementation, reporting and impact assessment. The broader corporate sustainability environment has also been influenced by SEBI's Business Responsibility and Sustainability Reporting framework. BRSR was made mandatory for the top 1,000 listed entities by market capitalisation from financial year 2022-23 and was designed to provide quantitative and standardised ESG disclosures. The subsequent introduction of BRSR Core has further strengthened the emphasis on measurable ESG information and assurance. SEBI's 2023 framework introduced a set of key performance indicators across nine ESG attributes and prescribed a phased approach to reasonable assurance, beginning with the top 150 listed entities in FY 2023-24 and progressing towards the top 1,000 by FY 2026-27. Against this background, the present article examines the development of CSR in India, its legislative framework, recent legal and policy developments and the challenges that continue to affect its implementation. The central argument is that India's statutory CSR framework provides an important foundation, but its long-term success will depend upon moving beyond formal compliance towards genuine, transparent and measurable social impact.

2. Evolution of Corporate Social Responsibility in India

2.1 Traditional Foundations of Corporate Social Responsibility

The idea that business should have responsibilities towards society is not entirely new to India. Before CSR became a formal legal concept, business families and commercial organisations engaged in philanthropic and charitable activities. Contributions towards education, healthcare, religious institutions and community welfare formed part of the social engagement of several business groups. The Indian understanding of social responsibility has also been associated with the concept of trusteeship. Rather than treating wealth as having value only for its owner, the trusteeship approach emphasised the responsibility associated with the possession and use of wealth. This provided an ethical basis for considering corporate resources as having a broader social dimension. The significance of these traditions lies in demonstrating that CSR did not originate solely as a consequence of statutory regulation. The legal framework developed later within an already existing social understanding of corporate responsibility.

2.2 From Philanthropy to Responsible Business

Traditional philanthropy, however, was not sufficient to address the increasingly complex relationship between corporations and society. Modern businesses influence employment, natural resources, communities, consumer interests and the environment. Consequently, CSR gradually developed from charitable contributions into a broader concept of responsible business conduct. The source material identifies this movement as a transition from voluntary business ethics towards a legally mandated responsibility. CSR came to be connected with education, healthcare, environmental protection, poverty alleviation and other areas of social development. This transformation also changed the role of CSR within corporate governance. CSR was increasingly expected to be integrated into corporate decision-making rather than being treated as an occasional charitable activity.

2.3 The 2009 Voluntary Guidelines

An important step in India's formal CSR policy was the introduction of the Ministry of Corporate Affairs' Corporate Social Responsibility Voluntary Guidelines in 2009. These guidelines represented an effort to provide companies with a structured approach to responsible business practices. The guidelines recognised several dimensions of responsible corporate conduct, including stakeholder engagement, ethical practices, protection of worker rights and well-being, respect for human rights, environmental stewardship and social development. Although the guidelines were voluntary, they were significant because they established a policy direction. CSR was no longer understood merely in terms of charitable donations. It was increasingly linked to how corporations conduct business and interact with stakeholders.

2.4 The Companies Act, 2013 and the Shift to Mandatory CSR

The decisive change occurred with the Companies Act, 2013. Section 135 created a statutory CSR framework for qualifying companies. The legislation therefore moved CSR from a voluntary policy area into the domain of corporate legal compliance. The significance of this development lies not merely in the introduction of a spending requirement. The legislation created an institutional framework involving the Board, CSR Committee, CSR policy, prescribed activities, expenditure, reporting and monitoring. CSR consequently became connected with formal corporate governance mechanisms. The source material describes this development as a transformation from voluntary philanthropy towards a structured and legally mandated approach. The Indian approach thus represents an attempt to use corporate resources for broader social development while retaining the corporate governance structure necessary to administer those resources.

3. Legislative Framework Governing CSR in India

3.1 Section 135 of the Companies Act, 2013

Section 135 forms the central statutory foundation of CSR in India. It identifies the companies to which the CSR provisions apply and establishes the institutional and financial requirements governing CSR. The provision applies to a company having a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more during the immediately preceding financial year. The framework also extends to qualifying holding and subsidiary companies and specified foreign companies having operations in India. The applicability of CSR therefore depends upon financial criteria rather than upon the particular nature of the company's business. A company meeting the statutory thresholds may consequently come within the CSR framework irrespective of whether it operates in manufacturing, financial services or another sector. This approach reflects the legislative objective of connecting the economic capacity of corporations with social responsibility.

3.2 CSR Committee

Section 135 originally established a CSR Committee mechanism for qualifying companies. The Committee is responsible for formulating and recommending the CSR policy, recommending the amount of expenditure and monitoring the policy from time to time. The

Board considers the recommendations and remains responsible for ensuring implementation. The CSR Committee therefore serves an important governance function. It provides an institutional structure through which CSR can be planned, monitored and evaluated. The framework also recognises situations in which a separate CSR Committee is not required. Where the amount required to be spent by a company does not exceed ₹50 lakh, the functions of the Committee are to be discharged by the Board of Directors. This provision reflects an attempt to avoid imposing unnecessary structural requirements on companies where the CSR obligation is relatively small.

3.3 CSR Policy

The CSR Committee is required to formulate and recommend a CSR policy identifying the activities to be undertaken in areas specified under Schedule VII. The policy also identifies the expenditure proposed to be incurred. The Board is required to approve the CSR policy and ensure that the activities included in it are undertaken. The contents of the policy are also subject to disclosure requirements. The CSR policy is therefore more than a statement of charitable intention. It provides the organisational basis for determining the company's CSR priorities and connecting expenditure with specific activities.

3.4 Two Per Cent Spending Requirement

One of the most distinctive aspects of India's CSR framework is the statutory expenditure requirement. Qualifying companies are required to spend at least two per cent of the average net profits of the three immediately preceding financial years on CSR activities. This requirement provides a measurable financial benchmark. It also represents the principal difference between the Indian model and systems where companies may be required only to disclose or report their CSR activities. However, the spending requirement also creates a potential difficulty. A financial benchmark can establish whether a company has spent the prescribed amount, but it cannot by itself establish whether the expenditure has produced meaningful social outcomes. The source material therefore identifies the possibility of superficial compliance, misallocation of resources and short-term CSR interventions. The challenge is consequently to ensure that the 2% requirement becomes a means of generating meaningful social development rather than an end in itself.

4. Schedule VII and Permitted CSR Activities

Schedule VII provides the substantive framework within which CSR activities are to be undertaken. The areas identified include the eradication of hunger, poverty and malnutrition; promotion of education and vocational skills; gender equality; environmental sustainability; protection of national heritage; rural development; and research in science, technology and medicine, among other specified areas. The importance of Schedule VII lies in providing statutory direction to CSR expenditure. Companies are not given unlimited freedom to treat every form of corporate expenditure as CSR. Their activities must fall within the statutory framework. At the same time, the source material identifies practical difficulties concerning the interpretation of eligible CSR activities. Questions may arise regarding whether particular forms of expenditure constitute CSR or whether they are merely connected with the ordinary business activities of the company. This is an area in which clarity is particularly important. CSR operates at the intersection of business activity and social development. The distinction between legitimate CSR expenditure and expenditure undertaken primarily for business purposes must therefore be maintained. The statutory framework also excludes activities undertaken in the normal course of business from the definition of CSR, subject to specified statutory exceptions. The 2021 amendment to the CSR Rules expressly developed the definition of CSR and clarified the meaning of administrative overheads and other related concepts.

5. Companies (Corporate Social Responsibility Policy) Rules, 2014

The Companies (Corporate Social Responsibility Policy) Rules, 2014 supplement Section 135 by establishing procedural and operational requirements. The Rules provide greater detail regarding the manner in which CSR policies are formulated and implemented. They also address implementing agencies, administrative expenditure, reporting and impact assessment.

5.1 CSR Implementation

CSR projects may be implemented directly by companies or through eligible implementing organisations subject to the requirements of the Rules. The involvement of external organisations is particularly relevant because companies may not themselves possess the specialised expertise necessary to undertake every type of social-development project. However, reliance upon external organisations also creates an additional responsibility for companies. The choice of implementing agency, project monitoring and assessment of performance become important elements of CSR governance.

5.2 Administrative Overheads

The CSR framework distinguishes between expenditure directly associated with designing, implementing, monitoring and evaluating a CSR project and general administrative overheads. The 2021 amendment expressly defined administrative overheads as expenses incurred for general management and administration of CSR functions, while excluding expenses directly incurred for designing, implementation, monitoring and evaluation of a particular CSR project or programme. This distinction is important because CSR resources should primarily serve the substantive objectives of the programme.

5.3 Monitoring

Monitoring is an essential element of CSR governance. Section 135 itself assigns monitoring responsibilities within the corporate structure, while the Rules establish additional reporting and implementation requirements. However, monitoring remains one of the areas in which implementation difficulties arise. The uploaded material identifies inadequate monitoring and evaluation systems as a significant challenge. Effective monitoring should therefore not be limited to confirming that money was spent. It should also examine whether activities were undertaken as planned and whether the intended beneficiaries were reached.

6. Recent Legislative and Regulatory Developments

6.1 Companies (CSR Policy) Amendment Rules, 2021

The Companies (CSR Policy) Amendment Rules, 2021 marked an important stage in the development of India's CSR framework. The amendment introduced revised definitions and strengthened aspects of implementation, monitoring and impact assessment. The MCA stated that the amendments were intended to strengthen the CSR ecosystem, improve disclosures and simplify compliance. The 2021 amendment also addressed the treatment of administrative overheads and clarified the definition of CSR. One of the important developments was the formalisation of impact assessment for specified companies and projects. This represented a movement towards evaluating CSR not merely by the amount spent but by the outcomes generated. The importance of impact assessment cannot be overstated. CSR projects can involve complex social outcomes, and expenditure alone cannot provide an adequate measure of effectiveness.

6.2 Companies (CSR Policy) Amendment Rules, 2022

The 2022 amendment further developed the CSR compliance framework. It introduced changes concerning the CSR Committee, implementing agencies and annual reporting requirements. The MCA's CSR framework therefore evolved progressively rather than remaining static. The amendments demonstrate an attempt to respond to practical difficulties that emerged during implementation. The continuing amendment of the framework illustrates that mandatory CSR is not a finished legal model. Its effectiveness depends upon regulatory adaptation to practical experience.

6.3 Unspent CSR Amounts

Another significant development has been the statutory treatment of unspent CSR amounts. Where the prescribed amount remains unspent in relation to an ongoing project, the framework provides for transfer to the Unspent CSR Account and subsequent utilisation within the prescribed period. Other unspent amounts are required to be transferred in accordance with the statutory provisions. The provision strengthens accountability by preventing the CSR obligation from becoming meaningless merely because a company did not utilise the prescribed amount during the financial year. The framework also contains penalties for defaults relating to the transfer of unspent CSR amounts.

7. Judicial Approach to Corporate Social Responsibility in India

Indian courts have increasingly addressed questions concerning the statutory nature, applicability, implementation and consequences of Corporate Social Responsibility under the Companies Act, 2013. The judicial decisions demonstrate that CSR is not merely a matter of voluntary corporate philanthropy once a company falls within the requirements of Section 135. At the same time, the courts have examined the limits of CSR obligations, the treatment of unspent amounts and the consequences of non-compliance.

In *KHS Machinery Pvt. Ltd. v. Registrar of Companies*[1], Proceedings arose from alleged non-

[1] Gujarat High Court, Order dated July 7, 2025, R/SCR.A/9563/2017

compliance with the CSR requirements under Section 135 during the financial year 2014-15. The matter also concerned the subsequent decriminalisation of CSR-related violations through the Companies (Amendment) Act, 2020. The Supreme Court held that the benefit of the decriminalising amendment should extend to the petitioner and that the earlier criminal proceedings should be quashed, with the matter being transferred to the appropriate adjudicating authority. The decision is significant in demonstrating the change in the legal consequences attached to CSR violations following the 2020 amendment.

The relationship between CSR liability and the statutory financial thresholds under Section 135 was considered in *Adani Power Rajasthan Ltd. v. ACIT*[2]. The company had reported losses during the relevant period and contended that it was consequently not required to incur CSR expenditure under Section 135. The High Court accepted this position and quashed the notice issued by the tax authorities. The decision highlights the importance of the statutory financial conditions prescribed under Section 135 in determining whether a company is required to undertake CSR expenditure.

The prospective operation of the CSR framework was considered in *ACIT v. Mecon Ltd*[3]. The dispute concerned an assessment year preceding the commencement of Section 135. The Court noted that Section 135 came into effect only on August 29, 2013, whereas the relevant financial year had ended on March 31, 2013. The decision therefore reinforces the principle that the statutory CSR framework cannot be retrospectively applied to a period preceding its commencement.

The issue of actual implementation of CSR activities came before the Madhya Pradesh High Court in *Charan Singh Meena v. Ministry of Corporate Affairs*[4]. The Public Interest Litigation alleged that CSR activities were being shown as completed on paper without corresponding work being carried out in the field. The Court noted the absence of an effective mechanism for verifying actual implementation and expressed concern that CSR could otherwise remain merely a paper exercise. The Court consequently directed the District Collectors to assess whether companies were actually fulfilling their CSR responsibilities and to take appropriate action where the statutory requirements were not being met. The decision is particularly relevant to the present discussion because it highlights the gap between CSR expenditure or

[2] Gujarat High Court, 2023
[3] Jharkhand High Court, 2024
[4] W.P. No. 877/2017 (PIL), Madhya Pradesh High Court, Feb. 7, 2018

reporting and actual social impact.

In *Brabourne Commerce Pvt. Ltd. v. State of West Bengal*[5], the Calcutta High Court considered proceedings concerning alleged CSR non-compliance. The company sought quashing of the criminal proceedings while contending that it was not subject to CSR requirements. The Court, however, found prima facie material supporting the allegations and permitted the proceedings to continue. The decision demonstrates that questions concerning the applicability and avoidance of CSR obligations may have consequences at the stage of criminal proceedings.

The autonomy of companies in formulating and implementing CSR policies was considered by the Kerala High Court in *Adani Vizhinjam Port Pvt. Ltd. v. Nagaroor Grama Panchayat*[6]. The Court examined Section 135 and recognised that CSR policy formulation and implementation fall within the corporate framework established by the Companies Act. While Section 135(5) requires preference to local areas for CSR expenditure, the Court held that a Gram Panchayat could not impose independent conditions concerning CSR expenditure while granting licences or permissions. The judgment therefore illustrates the statutory division between the CSR responsibilities of companies and the powers of local authorities.

The Madras High Court considered the treatment of unspent CSR amounts in *M/s. Sundaram Fasteners Ltd. v. Registrar of Companies*[7]. The Court examined whether an unspent CSR amount was required to be carried forward to subsequent years under the rules applicable at the relevant time. The Court did not find intentional negligence, breach of duty, misfeasance or breach of trust, particularly because the company had disclosed the relevant information in accordance with the Companies Act and CSR Rules. The decision is relevant to understanding the distinction between genuine compliance difficulties and deliberate CSR violations.

9. Comparative Perspectives on Corporate Social Responsibility

Corporate Social Responsibility has developed differently across jurisdictions, reflecting variations in legal systems, economic conditions, social expectations and approaches to corporate governance. While some countries continue to treat CSR primarily as a voluntary business practice, others have introduced statutory requirements relating to CSR activities,

[5] Calcutta High Court, 2024
[6] Kerala High Court, 2023
[7] Madras High Court, 2023.

social responsibility committees or non-financial reporting. The European experience, for instance, demonstrates a gradual movement towards greater recognition of social and environmental responsibility within corporate operations. The European Commission has promoted CSR as a means of integrating social and environmental concerns into business activities and stakeholder relationships.

Within Europe, however, the legal approach is not uniform. **France** has developed a comparatively formal framework, beginning with social reporting legislation in 1977 and subsequently introducing the NRE law in 2001, which required listed companies to report on the social and environmental effects of their activities. The **United Kingdom** has also incorporated aspects of corporate responsibility into its corporate reporting framework, with the Companies Act 2006 requiring companies to report on emerging socio-environmental issues. In contrast, countries such as **Germany, Finland and Ireland** have traditionally placed greater emphasis on voluntary CSR practices, although various social, environmental and reporting mechanisms operate within these jurisdictions.

The experience of **East Asia** presents another approach. In **China**, CSR has increasingly been connected with sustainable development, environmental responsibility, poverty reduction and corporate disclosure. Government authorities have played an active role in encouraging businesses to adopt responsible practices, including through policies concerning environmental protection and CSR disclosure. **Japan**, meanwhile, has a traditional understanding of CSR reflected in the concept of *Sanpo-yoshi*, which emphasises benefits for the seller, buyer and local community. Japanese businesses have also placed considerable emphasis on environmental conservation and CSR reporting.

In the **United States**, CSR has largely remained a voluntary corporate practice. Although the concept has developed from traditional philanthropy towards the broader idea of corporate citizenship, there is no general mandatory obligation requiring companies to undertake CSR activities or report CSR performance in the same manner as jurisdictions with statutory CSR frameworks. Corporate participation is instead influenced by stakeholder expectations, community interests and long-term business considerations.

The approach in the **Middle East and Africa** also demonstrates the continuing influence of philanthropy and social investment. In South Africa, for example, CSR was traditionally associated with corporate social investment and strategic philanthropy. Although there is no general legislation imposing CSR obligations, the Companies Act 2008 provides for social and ethics committees with responsibilities concerning corporate social and ethical practices. The **UAE**, on the other hand, has adopted a more structured approach, including measures encouraging CSR reporting and corporate contributions following the country's initiatives on social responsibility. Similarly, **Australia** does not have specific legislation requiring companies to undertake or report CSR, although corporate law and stakeholder expectations encourage businesses to consider broader social responsibilities.

A comparison of these jurisdictions demonstrates that there is **no single universal model of CSR regulation**. Some countries rely predominantly on voluntary corporate initiatives, while others combine voluntary responsibility with mandatory reporting or statutory requirements. India's approach is distinctive because Section 135 of the Companies Act, 2013 establishes a statutory CSR framework for qualifying companies. The comparative experience therefore provides useful context for understanding India's movement from voluntary corporate responsibility towards legally mandated CSR. It also demonstrates that the effectiveness of CSR depends not merely upon imposing legal obligations but upon creating appropriate mechanisms for reporting, monitoring, stakeholder participation and sustainable social outcomes.

10. Emerging Challenges in CSR Implementation

10.1 CSR as Mere Compliance

Perhaps the most significant challenge is the tendency to approach CSR as a compliance obligation rather than as a genuine social responsibility. Mandatory expenditure creates a clear financial benchmark. However, companies may focus on whether the required amount has been spent rather than asking whether the expenditure has addressed an actual social need. This creates a distinction between legal compliance and social effectiveness. A company may comply with the law and still have limited social impact. The future of CSR therefore depends on changing the question from *"How much has been spent?"* to *"What has the expenditure achieved?"*

10.2 Difficulty in Measuring Impact

Social impact is often difficult to measure because CSR projects operate in different sectors and involve different forms of outcomes. A healthcare project, for example, may require different indicators from an educational programme or an environmental initiative. A single measurement method may therefore not adequately capture every form of social impact. The source material identifies the absence of adequate monitoring and evaluation systems as a major difficulty. Impact assessment should therefore be connected to project objectives from the beginning. Companies should establish realistic indicators capable of demonstrating whether the intended outcomes have been achieved.

10.3 Weak Monitoring Mechanisms

Monitoring is necessary throughout the life of a CSR project. Without continuous monitoring, problems may remain unidentified until the project has already consumed significant resources. Monitoring should examine not only financial utilisation but also project progress, beneficiary participation, implementation quality and outcomes.

10.4 Transparency and Accountability

CSR involves corporate resources directed towards public or social objectives. Transparency is therefore essential. The expansion of BRSR and BRSR Core further demonstrates the regulatory movement towards standardised corporate disclosures. However, transparency should not become an exercise in producing large quantities of information without explaining actual outcomes. Effective disclosure should make information understandable and useful to stakeholders.

10.5 Problems Relating to Implementing Agencies

Companies frequently rely on external organisations to implement CSR projects. This can provide access to specialised knowledge and local experience, but it can also create monitoring difficulties. The company therefore has an ongoing responsibility to assess the suitability of implementing agencies and monitor the implementation of projects.

10.6 Lack of Internal Capacity

Effective CSR requires specialised knowledge. Companies need personnel capable of designing projects, identifying beneficiaries, assessing implementing agencies and evaluating outcomes. This demonstrates that CSR effectiveness depends not only upon financial resources but also upon institutional capacity.

10.7 Regional Imbalances

CSR expenditure may not be evenly distributed across India. The source material notes concentration of CSR spending in industrialised states and comparatively lower contributions in some remote and less-developed regions. This raises an important policy question. If CSR resources are concentrated around regions with greater corporate presence, areas with fewer large corporations may receive relatively limited benefits. A more balanced approach may therefore require companies to look beyond locations where they have immediate commercial interests and identify areas where social needs are significant.

10.8 Duplication of Efforts

Another challenge is coordination between CSR initiatives and government development programmes. CSR need not operate as a substitute for government responsibility. However, better coordination can allow corporate resources to complement existing development programmes rather than reproducing activities that are already being undertaken.

10.9 Short-Term Projects and Long-Term Social Change

Social development often requires sustained engagement. A short-term project may produce immediate benefits but may not address the underlying causes of a social problem. The source material identifies short implementation periods and the tension between corporate planning cycles and long-term development objectives as challenges. CSR planning should therefore consider whether projects can be sustained over a meaningful period and whether the community can continue benefiting after corporate funding ends.

11. CSR and the Emerging ESG Environment

CSR and ESG should not be treated as identical concepts. CSR under Section 135 is a statutory obligation concerning specified social-development activities and expenditure. ESG, by contrast, is a broader framework concerned with environmental, social and governance performance. The two nevertheless increasingly overlap. CSR addresses how companies use resources for social development, while ESG disclosure increasingly requires companies to provide information about their wider environmental and social impacts. BRSR was specifically designed to encourage companies to look beyond financial information towards their social and environmental impacts. The introduction of BRSR Core strengthens this direction by requiring specified ESG indicators to be subject to reasonable assurance according to the prescribed phased framework. This regulatory development may influence CSR in an indirect but important way. As companies become accustomed to measuring and reporting social and environmental performance, CSR may increasingly be integrated into broader sustainability strategies. However, the distinction between CSR expenditure and ESG performance should remain clear. A company cannot assume that CSR expenditure alone demonstrates strong ESG performance. Similarly, strong ESG reporting does not necessarily mean that the company's statutory CSR obligations have been fulfilled. The two frameworks should instead be understood as complementary components of responsible corporate conduct.

12. Suggestions for Strengthening CSR in India

12.1 Move from Expenditure to Impact

The primary objective should be to ensure that CSR is assessed by its social outcomes rather than merely by expenditure. The 2% requirement should remain an important statutory benchmark, but companies should place equal emphasis on whether their projects have achieved their intended objectives.

12.2 Strengthen Impact Assessment

Companies should develop appropriate methods for evaluating CSR outcomes. Impact assessment should be proportionate to the size, nature and objectives of the project. The existing regulatory movement towards impact assessment provides a foundation for this approach.

12.3 Improve Monitoring

Monitoring should occur throughout the project cycle. It should cover financial utilisation, implementation progress and actual outcomes. Independent evaluation may be particularly useful for large or complex CSR programmes.

12.4 Improve Transparency

CSR reporting should provide meaningful information rather than merely satisfying formal disclosure requirements. Information concerning project objectives, expenditure, implementation and outcomes should be accessible to stakeholders. The emphasis on detailed and transparent reporting identified in the source material supports this approach.

12.5 Strengthen Corporate Capacity

Companies should develop internal expertise in CSR project planning, monitoring and evaluation. Training and knowledge-sharing initiatives can help bridge the gap between financial capacity and implementation capacity.

12.6 Strengthen Stakeholder Participation

CSR projects should be informed by the needs of the communities they are intended to serve. Community participation can help companies identify genuine priorities and avoid projects that have limited relevance to beneficiaries.

12.7 Improve Coordination

Greater cooperation between companies, government authorities and civil society organisations can reduce duplication and improve resource utilisation. The source material specifically recommends stronger collaboration between these stakeholders.

12.8 Address Regional Imbalances

Companies should consider the geographical distribution of CSR activities when designing their programmes. Greater attention to underserved regions can contribute to more inclusive development.

12.9 Integrate CSR with Responsible Business Conduct

CSR should not operate as a separate charitable department within a corporation. It should form part of a wider corporate responsibility strategy involving ethical conduct, stakeholder interests, environmental responsibility and social impact.

13. Conclusion

Corporate Social Responsibility in India represents an important experiment in using corporate resources to support broader social objectives. The development from voluntary philanthropy to a statutory framework under the Companies Act, 2013 has fundamentally changed the manner in which qualifying companies approach social responsibility. Section 135 provides the central legal foundation. It identifies qualifying companies, establishes the institutional structure for CSR and creates the expenditure requirement. Schedule VII identifies the areas in which CSR activities may be undertaken, while the CSR Rules provide additional mechanisms relating to implementation, monitoring, reporting and impact assessment. The framework has also continued to evolve. The 2021 and 2022 amendments strengthened different aspects of CSR regulation, while MCA's subsequent clarifications sought to improve understanding and implementation of the framework. At the same time, India's regulatory environment has expanded beyond CSR expenditure. SEBI's BRSR framework introduced standardised ESG disclosures for the top 1,000 listed entities, and BRSR Core subsequently introduced selected ESG indicators and a phased assurance mechanism. These developments indicate a broader movement towards transparency, measurable corporate responsibility and sustainability reporting. Nevertheless, the existence of an extensive regulatory framework does not by itself guarantee effective CSR. The challenges identified in the available material remain significant. Companies may approach CSR primarily as a compliance obligation; monitoring and impact assessment may remain inadequate; implementing agencies may vary in capacity; internal corporate expertise may be limited; CSR expenditure may be concentrated geographically; and coordination with government programmes may remain insufficient. The central challenge is therefore to distinguish CSR compliance from CSR effectiveness. Spending the prescribed amount is important because it represents compliance with a statutory obligation. But the ultimate value of CSR lies in what that expenditure achieves. The future development of CSR in India should consequently focus on implementation quality, credible impact assessment, meaningful stakeholder engagement, transparency and long-term social outcomes. The source material similarly emphasises the need to strengthen impact measurement, improve collaboration and enhance transparency and accountability. India has already established a strong legal foundation for corporate social responsibility. The next stage should be to ensure that this framework produces not merely documented expenditure but meaningful social change. The movement from voluntary philanthropy to mandatory CSR was an important legal development. The more important future movement is from mandatory expenditure to measurable social impact. That transition will determine the real effectiveness of India's CSR framework.