
BEYOND COMPLIANCE: CORPORATE SOCIAL RESPONSIBILITY IN INDIA AS A TOOL FOR ESG-DRIVEN GOVERNANCE

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ABSTRACT

Corporate Social Responsibility (CSR) in India has evolved from voluntary philanthropy to a legally mandated corporate obligation under Section 135 of the Companies Act, 2013. This transformation reflects a broader shift in corporate governance toward stakeholder accountability, social impact, and sustainable development. The statutory framework mandates eligible companies to allocate at least two percent of average net profits toward CSR activities while adhering to Schedule VII and reporting requirements. Emerging trends in CSR include integration with Environmental, Social, and Governance (ESG) frameworks, AI-driven impact assessment, climate-linked accountability, blockchain-enabled transparency, and cross-border CSR compliance. This article examines the statutory obligations, governance mechanisms, legal challenges, and innovative practices shaping CSR in India, emphasizing its role as a tool for ethical business conduct, social innovation, and sustainable corporate governance.

Keywords: Corporate Social Responsibility, ESG, AI in CSR, Blockchain Transparency, Climate Accountability

1. Introduction

Corporate Social Responsibility (CSR) represents a paradigm shift in corporate governance from a narrow focus on profit maximization to a broader commitment toward socially responsible business conduct. Traditionally, corporations were primarily obligated to operate within the boundaries of law and generate profits for their shareholders, reflecting the classical shareholder primacy model.¹ However, with the evolution of corporate jurisprudence, it is now widely recognized that corporate entities significantly influence society, the environment, and the economy at large.² This expanded understanding has led to the emergence of CSR as both a legal and ethical obligation, transcending the earlier notion of voluntary philanthropy.

In the contemporary legal framework, CSR embodies corporate accountability toward a diverse set of stakeholders, including employees, consumers, local communities, and the environment.³ This stakeholder-oriented approach aligns with global principles of sustainable development and responsible business conduct. International bodies such as the United Nations have emphasized the role of corporations in achieving sustainable development goals, thereby reinforcing CSR as a global governance norm.⁴

India has adopted a distinctive and pioneering approach by embedding CSR within statutory law. The enactment of the Companies Act, 2013 introduced a mandatory CSR framework under Section 135, requiring certain classes of companies to allocate at least two percent of their average net profits toward socially beneficial activities.⁵ This legislative intervention marked a significant transition from discretionary corporate charity to a legally enforceable obligation, positioning India as one of the first countries to mandate CSR spending through law.

The statutory CSR regime aims to integrate corporate activities with national priorities such as sustainable development, poverty alleviation, education, healthcare, and environmental protection.⁶ By doing so, it ensures that corporate growth is aligned with inclusive and

¹ Milton Friedman, *The Social Responsibility of Business Is to Increase Its Profits*, N.Y. Times Mag., Sept. 13, 1970.

² (2017).

³ Companies Act, No. 18 of 2013, section 135 (India).

⁴ R. Edward Freeman, *Strategic Management: A Stakeholder Approach* (1984).

⁵ U.N. Global Compact, *Corporate Sustainability in the World Economy* (2000).

⁶ Andrew Keay, *The Enlightened Shareholder Value Principle and Corporate Governance*, 17 J. Corp. L. Stud. 317 (2017).

equitable societal development. Furthermore, Schedule VII of the Companies Act provides a structured list of permissible CSR activities, thereby guiding companies in channeling their resources effectively.

From a legal perspective, CSR in India is characterized by well-defined governance structures, accountability mechanisms, and reporting obligations. Companies are required to constitute CSR committees, formulate CSR policies, and disclose their CSR activities in annual reports, ensuring transparency and regulatory compliance.⁷The enforcement framework, strengthened through subsequent amendments, imposes penalties for non-compliance, thereby reinforcing the binding nature of CSR obligations.

Importantly, CSR is no longer perceived as a voluntary act of goodwill but as a compliance driven requirement embedded within corporate governance norms.⁸The mandatory CSR regime has thus transformed corporate social responsibility into a structured legal institution, bridging the gap between business objectives and societal welfare. This transformation reflects a progressive shift in corporate law, where profitability and social responsibility are viewed as complementary rather than conflicting goals.

2. Evolution of CSR in India

CSR in India evolved from philanthropic traditions of business houses such as contributions toward education, healthcare, and community welfare. Before statutory regulation, CSR activities were voluntary and largely unstructured. Companies engaged in charitable donations, trusts, and welfare initiatives, but these lacked transparency and accountability. There was no uniform framework guiding CSR implementation, resulting in inconsistent practices.

The Ministry of Corporate Affairs introduced voluntary CSR guidelines in 2009 encouraging companies to adopt responsible business practices. These guidelines emphasized ethical governance, environmental sustainability, and social development. However, being nonbinding, companies adopted CSR selectively. The absence of mandatory enforcement limited effectiveness of these guidelines.

The Companies Act, 2013 introduced Section 135, making CSR mandatory for eligible

⁷ Umakanth Varottil, *Corporate Social Responsibility in India: The Law and Practice*, 6 *Indian J. L. & Econ.* 1 (2015).

⁸ Ministry of Corporate Affairs, *Companies (Corporate Social Responsibility Policy) Rules, 2014*, G.S.R. 129(E).

companies. This legislative intervention institutionalized CSR within corporate governance. The statutory regime ensures that corporations contribute toward national development goals and inclusive growth, thereby formalizing CSR as a legal obligation rather than discretionary activity.⁹

3. Legal Framework Governing CSR in India

The legal framework governing Corporate Social Responsibility (CSR) in India is primarily anchored in Section 135 of the Companies Act, 2013, read in conjunction with the Companies (Corporate Social Responsibility Policy) Rules, 2014. These provisions collectively define the scope, applicability, governance mechanisms, spending obligations, and reporting requirements associated with CSR. Additionally, Schedule VII of the Act enumerates the categories of activities that qualify as permissible CSR initiatives, thereby providing statutory clarity and direction for corporate engagement in social development.

The statutory scheme mandates that companies falling within the prescribed financial thresholds must establish a CSR Committee of the Board, formulate a CSR policy, and ensure the allocation of prescribed funds toward eligible CSR activities.¹⁰ The CSR Committee plays a critical role in recommending policy frameworks, monitoring implementation, and ensuring alignment with statutory objectives. This institutional mechanism strengthens corporate governance by embedding social responsibility within board-level decision-making processes.

Furthermore, the regulatory framework emphasizes transparency and accountability through mandatory disclosure obligations. Companies are required to include detailed information regarding CSR initiatives, expenditure, and outcomes in their annual reports and on their official websites.¹¹ This disclosure regime facilitates regulatory oversight and enhances stakeholder awareness, thereby reinforcing corporate accountability.

Subsequent legislative amendments, particularly those introduced in 2019 and 2021, have significantly strengthened the enforcement of CSR provisions. The law now includes specific provisions addressing unspent CSR amounts, requiring companies to transfer such funds to

⁹ Companies Act, No. 18 of 2013, section 135(1)–(3) (India).

¹⁰ Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, r. 4.

¹¹ Companies (Amendment) Act, 2019, section 21; Companies (Amendment) Act, 2020.

designated accounts or specified funds within prescribed timelines.¹² Additionally, the introduction of impact assessment requirements for large CSR projects ensures that corporate contributions are not merely financial but also result-oriented and measurable.

The amended framework also regulates the role of implementing agencies by prescribing eligibility criteria and registration requirements, thereby ensuring credibility and accountability in CSR execution.¹³ Importantly, the introduction of penal provisions for non-compliance has transformed CSR from a recommendatory guideline into a legally enforceable obligation.

These developments collectively demonstrate the evolution of CSR in India from a policy-driven initiative to a robust statutory regime embedded within corporate law.

4. Applicability of CSR under Section 135

Section 135 of the Companies Act, 2013 lays down the criteria for the applicability of CSR obligations based on specified financial thresholds. The provisions apply to companies that meet any of the following conditions during a financial year:

- Net worth of ₹500 crore or more;
- Turnover of ₹1000 crore or more; or
- Net profit of ₹5 crore or more.¹⁴

These thresholds ensure that CSR obligations are imposed on financially capable entities, thereby maintaining a balance between corporate responsibility and economic feasibility. The applicability extends not only to public and private companies but also to foreign companies operating within India, provided they satisfy the prescribed criteria.

Once a company falls within the ambit of Section 135, it is required to spend at least two percent of its average net profits, calculated over the preceding three financial years, on CSR activities.¹⁵ This statutory spending mandate ensures a continuous and structured contribution toward social and developmental objectives, aligning corporate profitability with broader

¹² Andrew Keay, *The Enlightened Shareholder Value Principle and Corporate Governance*, 17 *J. Corp. L. Stud.* 317 (2017).

¹³ Companies Act, No. 18 of 2013, § 135(1) (India).

¹⁴ Companies Act, No. 18 of 2013, sched. VII (India).

¹⁵ Ministry of Corporate Affairs, *Companies (Corporate Social Responsibility Policy) Rules, 2014*, G.S.R. 129(E).

societal welfare.

The wide scope of applicability reflects India's commitment to a stakeholder-oriented model of corporate governance. By mandating CSR participation from large corporations across sectors, the law promotes inclusive growth and encourages businesses to actively contribute to national development priorities. Moreover, by linking CSR obligations to financial capacity, the framework ensures that compliance does not impose disproportionate burdens on smaller enterprises.

In essence, the applicability provisions under Section 135 serve as the foundation of India's CSR regime, ensuring that corporate entities with significant economic resources participate meaningfully in nation-building efforts. This approach underscores the integration of economic development with social responsibility, a hallmark of modern corporate governance frameworks.

5. CSR Committee: Legal Governance Mechanism

The Corporate Social Responsibility (CSR) Committee constitutes a mandatory governance body under Section 135 of the Companies Act, 2013. It is required to be established by companies falling within the prescribed financial thresholds, thereby institutionalizing CSR within the corporate governance framework. The Committee typically comprises members of the Board of Directors, including at least one independent director in the case of listed companies, which enhances transparency, objectivity, and accountability in CSR-related decision-making.¹⁶

The CSR Committee performs a pivotal role in shaping and overseeing the company's CSR strategy. Its primary functions include formulating and recommending the CSR policy to the Board, identifying and prioritizing CSR projects, recommending the amount of expenditure to be incurred, and establishing a monitoring mechanism for effective implementation.¹⁷ By performing these functions, the Committee ensures that CSR initiatives are aligned with statutory requirements as well as organizational objectives.

Additionally, the Committee evaluates the effectiveness and impact of CSR projects, thereby

¹⁶ Companies Act, No. 18 of 2013, § 135(1) (India).

¹⁷ U.N. Global Compact, Corporate Sustainability in the World Economy (2000).

ensuring that corporate contributions yield tangible social benefits. It also reports periodically to the Board of Directors, facilitating informed decision-making and continuous oversight. This internal governance mechanism strengthens compliance and ensures that CSR is not treated as a peripheral activity but as an integral component of corporate functioning.

Importantly, the statutory requirement of constituting a CSR Committee elevates CSR from an operational or philanthropic activity to a strategic governance function. By embedding CSR responsibilities at the board level, the law reinforces accountability, transparency, and ethical corporate conduct, thereby aligning corporate actions with societal expectations.

6. Duties of the Board of Directors

The Board of Directors plays a central and authoritative role in ensuring compliance with CSR obligations under the Companies Act, 2013. The Board is responsible for approving the CSR policy formulated by the CSR Committee and ensuring that the company undertakes CSR activities in accordance with the policy and statutory provisions.¹⁸ This approval function signifies that CSR decisions are not merely administrative but are subject to the highest level of corporate oversight.

The Board is further obligated to ensure that the company spends the prescribed CSR amount, which is at least two percent of the average net profits of the preceding three financial years.¹⁹ In instances where the company fails to meet the required expenditure, the Board must provide a detailed explanation in its report, thereby ensuring transparency and accountability. This “comply or explain” mechanism reinforces corporate responsibility even in cases of noncompliance.

Moreover, the Board is required to disclose CSR-related information in the company’s annual report, including details of CSR policy, projects undertaken, expenditure incurred, and reasons for any unspent amounts.²⁰ These disclosure requirements enable regulatory authorities, shareholders, and other stakeholders to assess the company’s commitment to social responsibility.

From a legal standpoint, directors are entrusted with fiduciary duties that now extend to CSR

¹⁸ U.N. Sustainable Development Goals, G.A. Res. 70/1, U.N. Doc. A/RES/70/1 (Sept. 25, 2015).

¹⁹ Companies Act, No. 18 of 2013, sched. VII (India).

²⁰ Companies Act, No. 18 of 2013, sched. VII (India).

compliance. Failure to adhere to statutory CSR obligations may attract penalties, thereby integrating CSR into the broader framework of corporate governance and directors' responsibilities. Thus, CSR is no longer optional but forms an essential component of directors' legal and ethical obligations.

7. CSR Activities under Schedule VII

Schedule VII of the Companies Act, 2013 provides a statutory framework outlining the categories of activities that qualify as CSR initiatives. These include, inter alia, the promotion of education, eradication of hunger and poverty, healthcare, environmental sustainability, gender equality, rural development, and contributions to national relief funds.²¹ The Schedule is interpreted in a liberal manner by regulatory authorities, allowing companies flexibility to design innovative CSR projects aligned with evolving societal needs.

Environmental sustainability has emerged as a significant focus area within CSR initiatives. Companies increasingly invest in projects related to renewable energy, afforestation, waste management, and water conservation. These initiatives contribute to broader global objectives such as climate change mitigation and sustainable resource management, aligning corporate efforts with international sustainability frameworks advocated by organizations like the United Nations.²²

In addition to environmental initiatives, social development sectors such as education and healthcare receive substantial CSR funding. Corporations actively engage in establishing schools, skill development centers, vocational training programs, and healthcare facilities, thereby contributing to human capital development and societal welfare. These initiatives play a crucial role in promoting inclusive growth and reducing socio-economic disparities.

Overall, Schedule VII serves as a guiding framework that ensures CSR activities are directed toward meaningful and impactful areas of national importance. By encouraging corporate participation in social and environmental development, the provision strengthens the role of businesses as partners in nation-building and sustainable development.

²¹ U.N. Sustainable Development Goals, G.A. Res. 70/1, U.N. Doc. A/RES/70/1 (Sept. 25, 2015).

²² *ibid*

8. CSR Spending and Compliance

Corporate Social Responsibility (CSR) expenditure under Indian law must be strictly aligned with activities approved under Schedule VII of the Companies Act, 2013. The statutory framework ensures that CSR funds are directed toward genuine social development initiatives rather than being diverted for unrelated purposes. To maintain the integrity of CSR spending, the law imposes limitations on administrative overheads, thereby ensuring that a substantial portion of CSR funds is utilized for actual project implementation rather than internal expenses.²³

Furthermore, the legal provisions explicitly prohibit companies from treating routine business operations as CSR activities. This restriction prevents corporations from disguising profit-oriented activities as social responsibility initiatives, thereby safeguarding the true intent of CSR.²⁴ The objective is to ensure that CSR remains distinct from commercial operations and contributes meaningfully to societal welfare.

Companies are permitted to implement CSR activities either directly or through eligible implementing agencies such as registered trusts, societies, or Section 8 companies. The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 mandate that such implementing agencies must be registered with the Ministry of Corporate Affairs.²⁵ This registration requirement enhances transparency, accountability, and credibility in the execution of CSR projects.

A significant development in CSR compliance relates to the treatment of unspent CSR amounts. The law requires companies to transfer unspent funds either to a designated “Unspent CSR Account” or to specified government funds within prescribed timelines.²⁶ Failure to comply with these provisions may attract penalties, thereby reinforcing the enforceability of CSR obligations. These mechanisms collectively strengthen the regulatory framework and ensure that CSR commitments translate into actual social impact.

9. CSR and Corporate Governance

CSR plays a crucial role in strengthening corporate governance by embedding principles of

²³ Companies (Corporate Social Responsibility Policy) Rules, 2014, r. 7 (India).

²⁴ Companies Act, No. 18 of 2013, § 135(5)–(6) (India).

²⁵ Michael E. Porter & Mark R. Kramer, *Creating Shared Value*, 89 *Harv. Bus. Rev.* 62 (2011).

²⁶ *Ibid.* r. 2(1)(d).

transparency, accountability, and ethical conduct within business operations. The mandatory disclosure requirements under the Companies Act, 2013 ensure that stakeholders, including shareholders, regulators, and the general public, are adequately informed about a company's CSR initiatives and expenditures.²⁷ This transparency enhances stakeholder confidence and facilitates informed decision-making.

In recent years, investors have increasingly incorporated CSR performance into their evaluation of corporate entities. Companies demonstrating strong CSR commitments are often perceived as more sustainable and responsible, which positively influences their market reputation and investment attractiveness.²⁸ Thus, CSR has evolved into a key parameter of corporate valuation and governance assessment.

Additionally, CSR promotes the adoption of ethical business practices, particularly in areas such as environmental protection, labour welfare, and community engagement. By integrating these considerations into corporate policies, companies contribute to long-term sustainability while simultaneously enhancing their social legitimacy. This alignment of ethical responsibility with business strategy fosters trust among stakeholders and strengthens corporate credibility.

Overall, CSR serves as a bridge between corporate governance and social responsibility. It reflects a progressive transition from profit-centric models to a more balanced approach that emphasizes sustainable development, stakeholder welfare, and responsible corporate conduct.

10. Emerging Trends in CSR Law

The legal and regulatory landscape of CSR is continuously evolving, with increasing convergence between CSR and Environmental, Social, and Governance (ESG) frameworks. ESG principles emphasize the integration of environmental sustainability, social responsibility, and governance standards into corporate decision-making processes. Organizations such as the Securities and Exchange Board of India have introduced initiatives such as Business Responsibility and Sustainability Reporting (BRSR), which align closely with CSR

²⁷ Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, r. 4.

²⁸ Id. § 134(3)(o); Companies (Corporate Social Responsibility Policy) Rules, 2014, r. 8.

objectives.²⁹

Impact assessment has emerged as another significant trend in CSR law. Companies are now required, particularly for large-scale CSR projects, to evaluate the effectiveness and outcomes of their initiatives.³⁰ This shift marks a transition from a focus on mere financial expenditure to a results-oriented approach that emphasizes measurable social impact.

Moreover, digital transparency and sustainability reporting are gaining prominence in the CSR domain. Advances in technology enable real-time monitoring, reporting, and verification of CSR activities, thereby enhancing accountability. Companies increasingly adopt integrated reporting frameworks that combine financial and non-financial disclosures, reflecting a holistic approach to corporate performance.

These emerging trends indicate that CSR law is moving toward a more structured, data-driven, and impact-oriented framework. The emphasis on measurable outcomes, stakeholder engagement, and long-term sustainability underscores the evolution of CSR from a compliance requirement to a strategic component of corporate governance.

11. CSR in the Era of Artificial Intelligence

The integration of Artificial Intelligence (AI) into Corporate Social Responsibility (CSR) practices represents a transformative development in the implementation and monitoring of social initiatives. Companies increasingly leverage AI-driven analytics to conduct data-based impact assessments, optimize resource allocation, and forecast long-term social and environmental benefits. For instance, AI systems can be employed to monitor environmental conservation projects, predict disaster-prone regions, and evaluate educational outcomes in underserved communities. Such technological integration enhances efficiency, scalability, and precision in CSR execution.

However, the use of AI in CSR also introduces complex legal challenges. One major concern is the potential misrepresentation or overstatement of CSR outcomes generated through algorithmic analysis. Inaccurate or misleading AI-driven reporting may expose companies to

²⁹ Michael E. Porter & Mark R. Kramer, *Creating Shared Value*, 89 Harv. Bus. Rev. 62 (2011).

³⁰ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended).

liability under disclosure and compliance provisions of the Companies Act, 2013.³¹ While the Act does not explicitly regulate the use of AI in CSR, courts may interpret Section 135 and related disclosure provisions to impose accountability where technology is used to exaggerate social impact.

Furthermore, the opacity of certain AI systems—often referred to as the “black box” problem raises concerns regarding transparency and auditability in CSR reporting. This necessitates the development of governance frameworks that integrate technological accountability with statutory compliance. As AI becomes increasingly embedded in CSR practices, regulators may need to formulate guidelines addressing algorithmic transparency, data integrity, and ethical use of technology in social initiatives.

12. Climate-Linked CSR and Legal Accountability

In the context of growing global environmental concerns, CSR has increasingly become aligned with climate change mitigation and sustainability objectives. Companies are actively investing in initiatives such as renewable energy adoption, afforestation programs, carbon offset projects, and sustainable resource management. These efforts align with global frameworks such as the United Nations Sustainable Development Goals, reinforcing the role of corporations in addressing environmental challenges.³²

From a legal perspective, climate-linked CSR introduces new dimensions of accountability. Failure to effectively implement or deliver on environmentally focused CSR commitments may invite scrutiny from regulators, investors, and civil society organizations. In particular, the practice of “greenwashing” where companies falsely represent their activities as environmentally sustainable has emerged as a significant concern.³³

Courts may interpret misleading environmental claims as a violation of statutory obligations under the Companies Act, 2013, particularly in the context of disclosure and reporting requirements. This could potentially expand the scope of CSR liability beyond mere financial compliance to include substantive environmental performance. Thus, climate-linked CSR underscores the need for verifiable, measurable, and transparent environmental initiatives

³¹ Companies Act, No. 18 of 2013, section 134, 135 (India).

³² Benjamin J. Richardson, Keeping Ethical Investment Ethical: Regulatory Issues for Investing for Sustainability, 87 J. Bus. Ethics 555 (2009).

³³ U.N. Sustainable Development Goals, G.A. Res. 70/1, U.N. Doc. A/RES/70/1 (Sept. 25, 2015).

within the corporate legal framework.

13. Blockchain and CSR Transparency

The adoption of Blockchain technology presents a promising avenue for enhancing transparency and accountability in CSR implementation. By utilizing decentralized and immutable ledgers, companies can track the allocation and utilization of CSR funds in real time, ensuring that resources are directed toward intended beneficiaries without diversion or mismanagement.

Blockchain-based systems can provide verifiable audit trails, thereby addressing one of the persistent challenges in CSR law monitoring and verification of project outcomes. Such systems enable stakeholders, including regulators and beneficiaries, to access reliable and tamper-proof information regarding CSR activities. This enhances trust and reduces the risk of fraud or misreporting.

From a legal standpoint, blockchain technology has the potential to strengthen compliance with disclosure requirements under the Companies Act, 2013.³⁴ Regulators may, in the future, recognize blockchain-based reporting mechanisms as valid tools for demonstrating statutory compliance. However, this would require the development of regulatory standards governing data integrity, privacy, and interoperability of blockchain systems within the CSR framework.

14. Cross-Border CSR and Global Compliance

The globalization of business operations has introduced new complexities in CSR compliance, particularly for multinational corporations operating in India. Such entities must navigate the requirements of Indian CSR law alongside Environmental, Social, and Governance (ESG) obligations imposed by their home jurisdictions. This dual compliance framework necessitates careful legal planning and coordination.

Cross-border CSR funding and implementation raise additional regulatory concerns, especially in relation to foreign exchange laws, taxation, and the transfer of funds to implementing agencies outside India. Companies must ensure compliance with applicable regulations, including those governing foreign contributions and financial reporting, to avoid legal

³⁴ Benjamin J. Richardson, Keeping Ethical Investment Ethical: Regulatory Issues for Investing for Sustainability, 87 J. Bus. Ethics 555 (2009).

complications.

Emerging jurisprudence suggests that Indian courts may adopt an expansive approach in holding multinational corporations accountable for CSR-related impacts on local communities. Even where the parent company is headquartered abroad, liability may arise if its operations within India result in social or environmental harm. This evolving legal landscape reflects a broader trend toward harmonizing domestic CSR obligations with global ESG standards, thereby reinforcing corporate accountability on an international scale.

15. Ethical and Social Innovation Through CSR

CSR is increasingly evolving beyond traditional domains such as education and healthcare to encompass innovative areas like social entrepreneurship, technological incubation, and AI-driven social solutions. Companies are adopting a “triple bottom line” approach, which integrates economic performance with social impact and environmental sustainability.

These developments raise important legal questions regarding the scope of permissible CSR activities under Schedule VII of the Companies Act, 2013.³⁵ While the Schedule provides a structured list of activities, it is interpreted liberally to encourage innovation and adaptability. Courts and regulatory authorities may increasingly be called upon to determine whether emerging technology-driven initiatives fall within the ambit of CSR.

The shift toward ethical and social innovation signifies a broader transformation in corporate responsibility, where businesses actively contribute to solving complex societal challenges through technological and entrepreneurial approaches. This evolution underscores the need for a dynamic legal framework capable of accommodating innovation while maintaining accountability and compliance.

16. Case Studies on Corporate Social Responsibility (CSR)

1. Technicolor India Pvt. Ltd. v. Registrar of Companies

This case is one of the early instances addressing non-compliance with CSR obligations under the Companies Act, 2013. The company failed to spend the prescribed CSR amount and did

³⁵ Companies Act, No. 18 of 2013, § 134(3)(o) (India).

not provide sufficient justification in its Board's report.

The National Company Law Tribunal emphasized that CSR is not merely a voluntary activity but a statutory obligation. The tribunal held that companies must strictly comply with disclosure requirements and cannot avoid CSR responsibilities without valid reasons. This case reinforced the principle that CSR compliance is subject to regulatory scrutiny and cannot be treated as discretionary corporate behavior.³⁶

2. MCA v. Alchemist Infra Realty Ltd.

In this matter, the Ministry of Corporate Affairs initiated action against the company for failing to comply with CSR spending and reporting requirements. The company neither constituted a proper CSR committee nor disclosed CSR activities adequately.

The regulatory action highlighted the importance of governance structures such as CSR committees and transparent reporting mechanisms. The case demonstrated that failure to adhere to statutory CSR provisions could attract penalties and enforcement action. It marked a shift toward stricter regulatory oversight in CSR compliance.³⁷

3. Vedanta Resources Plc v. Lungowe

This landmark judgment by the Supreme Court of the United Kingdom has significant implications for CSR and corporate accountability. The case involved environmental damage caused by a subsidiary of Vedanta in Zambia.

The Court held that a parent company could be held liable for the actions of its subsidiary if it exercised sufficient control over operations. This case expanded the scope of corporate responsibility and established that CSR commitments and sustainability policies could create legal duties. It is particularly relevant for cross-border CSR, as it demonstrates that multinational corporations may face liability in foreign jurisdictions for environmental and social harm.³⁸

³⁶ Technicolor India Pvt. Ltd. v. Registrar of Cos., NCLT (India).

³⁷ Ministry of Corporate Affairs v. Alchemist Infra Realty Ltd., MCA Enforcement Action (India).

³⁸ Vedanta Res. PLC v. Lungowe [2019] UKSC 20 (U.K.).

4. M.C. Mehta v. Union of India

Although not directly a CSR case, this landmark judgment by the Supreme Court of India laid the foundation for corporate environmental responsibility in India. The Court introduced the doctrine of absolute liability for hazardous industries.

The judgment established that companies engaged in hazardous activities bear strict responsibility for any harm caused, irrespective of negligence. This principle has influenced CSR by reinforcing the idea that corporations must proactively ensure environmental safety and social welfare. It serves as a judicial basis for integrating environmental responsibility within CSR frameworks.³⁹

5. Indian Council for Enviro-Legal Action v. Union of India

In this case, the Supreme Court of India applied the “polluter pays” principle, holding industries financially responsible for environmental damage.

The Court emphasized that companies must not only compensate for harm but also bear the cost of restoring environmental balance. This principle aligns closely with CSR objectives, particularly in environmental sustainability initiatives. It strengthens the argument that CSR is not merely philanthropic but also corrective and restorative in nature.⁴⁰

6. Narmada Bachao Andolan v. Union of India

This case addressed the balance between development and environmental protection. The Supreme Court of India recognized the importance of sustainable development as a guiding principle.

The judgment underscored that development projects must consider social and environmental impacts, thereby indirectly reinforcing CSR obligations. It highlighted the need for corporations to integrate sustainability into their operational strategies, aligning with modern CSR principles.⁴¹

³⁹ M.C. Mehta v. Union of India, (1987) 1 SCC 395 (India).

⁴⁰ Indian Council for Enviro-Legal Action v. Union of India, (1996) 3 SCC 212 (India).

⁴¹ Narmada Bachao Andolan v. Union of India, (2000) 10 SCC 664 (India).

7. People Forum for Human Rights v. Union of India

This case focused on corporate accountability in relation to human rights violations. The Court stressed that corporations must operate in a manner that respects fundamental rights and social welfare.

Although CSR was not the central issue, the judgment reinforced the broader principle that corporate entities have responsibilities beyond profit-making. This aligns with CSR's stakeholder-oriented approach and supports its legal evolution in India.⁴²

Key Takeaways from Case Studies

- CSR is increasingly treated as a legal obligation rather than voluntary philanthropy
- Courts are expanding corporate liability to include environmental and social impacts
- Disclosure and governance failures can attract regulatory penalties
- Global jurisprudence is influencing Indian CSR law, especially in cross-border contexts
- Principles like absolute liability and polluter pays strengthen CSR accountability

Conclusion

Corporate Social Responsibility (CSR) in India represents a significant legal innovation that effectively integrates corporate governance with social responsibility. The introduction of Section 135 of the Companies Act, 2013 marked a transformative shift by converting CSR from a voluntary and philanthropic activity into a mandatory statutory obligation. This legal framework ensures that corporations actively contribute to national development, thereby aligning private enterprise with public welfare objectives.

The statutory CSR regime has institutionalized accountability through governance mechanisms such as CSR committees, board-level oversight, mandatory spending requirements, and disclosure obligations. These provisions embed social responsibility within corporate decisionmaking processes, ensuring that CSR is not treated as an ancillary function but as an

⁴² People's Union for Civil Liberties v. Union of India, (2005) 2 SCC 436 (India).

integral component of corporate strategy. Consequently, CSR has emerged as a critical tool for promoting transparency, ethical conduct, and stakeholder engagement within the corporate sector.

Furthermore, the evolving CSR landscape reflects a broader shift toward Environmental, Social, and Governance (ESG) compliance, impact assessment, and sustainability-oriented governance. Corporations are increasingly expected to balance profit-making with social and environmental responsibilities, thereby adopting a stakeholder-centric approach. The integration of emerging technologies such as Artificial Intelligence and blockchain, along with climate-linked CSR initiatives, indicates a transition toward data-driven and outcome-based corporate responsibility frameworks.

Looking ahead, the future of CSR in India lies in strengthening enforcement mechanisms, enhancing monitoring and impact evaluation systems, and aligning CSR initiatives with global sustainable development goals. There is also a growing need for regulatory clarity in emerging areas such as technology-driven CSR and cross-border compliance. As the legal framework continues to evolve, CSR will play an increasingly vital role in shaping responsible corporate behaviour, fostering inclusive growth, and ensuring sustainable development.

In conclusion, CSR in India stands as a pioneering model of legally mandated corporate responsibility, demonstrating how law can be effectively utilized to harmonize economic objectives with societal welfare. Its continued evolution will be instrumental in defining the future trajectory of corporate governance in both national and global contexts.

Recommendations and Future Scope

1. Strengthening Enforcement Mechanisms

While the statutory CSR framework under the Companies Act, 2013 provides a robust foundation, effective enforcement remains a key challenge. Regulatory authorities should enhance monitoring mechanisms through periodic audits, stricter scrutiny of disclosures, and real-time tracking of CSR expenditures. The imposition of penalties for non-compliance must be consistent and proportionate to ensure deterrence. Additionally, regulatory clarity on ambiguous provisions—such as treatment of indirect CSR benefits—would improve compliance and reduce interpretational inconsistencies.

2. Enhancing Impact Assessment and Outcome-Based CSR

The current CSR regime primarily emphasizes expenditure rather than measurable outcomes. There is a need to shift toward **impact-oriented CSR**, where companies evaluate the effectiveness and long-term benefits of their initiatives. Mandatory impact assessment provisions introduced under the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 should be further strengthened by standardizing evaluation methodologies and reporting formats.

Future CSR frameworks should incorporate quantitative indicators such as social return on investment (SROI), environmental impact metrics, and community development indices. This would ensure that CSR activities contribute meaningfully to sustainable development rather than merely fulfilling statutory requirements.

3. Integration with ESG and Sustainability Frameworks

CSR in India must be more closely aligned with global Environmental, Social, and Governance (ESG) standards. Regulatory initiatives by the Securities and Exchange Board of India, such as Business Responsibility and Sustainability Reporting (BRSR), should be harmonized with CSR provisions to create a unified sustainability framework.

Such integration would enable companies to adopt a holistic approach toward responsible business conduct, combining financial performance with environmental stewardship and social impact. It would also enhance comparability and transparency for global investors increasingly prioritizing ESG compliance.

4. Leveraging Technology for Transparency and Accountability

The adoption of emerging technologies such as Artificial Intelligence and blockchain can significantly improve CSR governance. AI can facilitate predictive analysis, impact measurement, and efficient resource allocation, while blockchain can provide immutable records of CSR fund utilization.

Regulators should develop guidelines for the ethical and transparent use of technology in CSR implementation, including safeguards against data manipulation and misrepresentation. Establishing digital CSR reporting platforms could further enhance transparency and enable

real-time monitoring by stakeholders.

5. Addressing Greenwashing and Ensuring Environmental Accountability

With the increasing focus on climate-linked CSR, there is a growing risk of “greenwashing,” where companies exaggerate or misrepresent their environmental contributions. Regulatory frameworks should include stricter disclosure norms and verification mechanisms to ensure the authenticity of sustainability claims.

Courts and regulatory bodies may need to expand the interpretation of CSR obligations under the Companies Act, 2013 to include liability for misleading environmental representations. This would reinforce corporate accountability and promote genuine environmental responsibility.

6. Expanding Scope of CSR to Innovation and Social Entrepreneurship

The scope of CSR should evolve to accommodate emerging areas such as social entrepreneurship, digital inclusion, and technology-driven solutions. A liberal interpretation of Schedule VII would allow companies to invest in innovative projects that address complex societal challenges through scalable and sustainable models.

Encouraging partnerships between corporations, startups, academic institutions, and nongovernmental organizations can enhance the effectiveness of CSR initiatives. Such collaborations would promote innovation while ensuring alignment with statutory objectives.

7. Strengthening Cross-Border CSR Governance

With globalization, multinational corporations operating in India face complex CSR compliance requirements. There is a need for harmonization between Indian CSR laws and international ESG standards to ensure consistency in global operations.

Clear guidelines on cross-border CSR funding, foreign implementing agencies, and compliance with foreign exchange regulations would facilitate smoother execution of CSR projects. Additionally, international cooperation in CSR governance could help address global challenges such as climate change and sustainable development.

8. Capacity Building and Stakeholder Engagement

Effective CSR implementation requires capacity building at multiple levels, including corporate management, implementing agencies, and local communities. Training programs, awareness initiatives, and stakeholder consultations can enhance the quality and impact of CSR projects.

Engaging beneficiaries in the planning and execution of CSR initiatives ensures that projects are need-based and sustainable. This participatory approach aligns with the stakeholder-centric model of corporate governance and enhances long-term social impact.

Conclusion of Recommendations

In essence, the future of CSR in India lies in transitioning from a compliance driven framework to an impact-driven governance model. Strengthening enforcement, integrating ESG principles, leveraging technology, and fostering innovation will be critical in achieving this transformation. As CSR continues to evolve, it has the potential to become a powerful instrument for sustainable development, inclusive growth, and responsible corporate conduct in both national and global contexts.

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VI. Concepts and Frameworks Referenced

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- ESG (Environmental, Social, and Governance) frameworks for sustainable corporate conduct.