
THE TRANSFORMATION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA: FROM PHILANTHROPY TO LEGAL MANDATE

Khushboo Singh, Amity Institute of Advanced Legal Studies, Amity University, Noida

ABSTRACT

What once began as a goodwill gesture now carries weight beyond charity. Business responsibility toward society used to stem from moral choice and not by rules. Companies supported social welfare causes largely out of moral conviction rather than legal obligation by making contributions to schools, hospitals, and community welfare projects were often motivated by a belief that successful businesses should give something back to society. As corporate footprints expanded, so did questions about fairness in resource use. Public scrutiny grew sharper when profits rose alongside societal gaps. A sense emerged quietly at first that contributing to progress of society was ought to be part of doing business. Expectations shifted as generosity alone was no longer satisfied and resulted in growing demand for accountability.

This shift became obvious with the introduction of Section 135 of the Companies Act of 2013. Meeting financial criteria requires some organizations to spend no less than 2% of their three-year profit average for CSR work in accordance with schedule VII. This need under CSR goes beyond a goodwill gesture and into a defined legal system. The law also established reporting requirements and governance structures that enable CSR efforts to be more rigorously monitored.

This article examines the evolution of corporate social responsibility (CSR) in India from voluntary acts of altruism to a legally mandated obligation. From the earliest customs of charity giving to the legal framework created by the Companies Act of 2013, it charts the evolution of corporate social responsibility. Because of new laws, firms now must spend on social projects, yet results rely heavily on follow through. Even though oversight boosted participation, the true impact only increases when intent and action are in sync. Despite structural improvements, results depend more on constant effort than on mandates.

Introduction

Companies nowadays are expected to think about how their actions may affect society, the environment, and the economy. Profit used to be the main focus of business objectives, with owners coming first. Larger companies began to come under more scrutiny throughout time as a result of their growing influence. They make extensive use of common resources like labor, raw materials, highways, electricity systems, and land. There is growing demand to give back to the communities where companies operate as a result of this access.

In India, corporate social responsibility has a long history dating back decades. Major corporations frequently funded local development, health services, or education. Motivated by moral convictions or leadership principles, these behaviors seldom followed consistent patterns. Organizations' levels of commitment varied greatly in the absence of strict norms. While there was minimal interaction in certain regions, there was significant interest in others. Results varied significantly between industries due to unequal distribution. What was produced was a patchwork of effort that was lacking in some areas and strong in others.

When Section 135 of the Companies Act, 2013 was passed in India, businesses' approaches to social responsibility underwent a change.¹ This clause made corporate social responsibility (CSR) a legal requirement, requiring some businesses to give at least 2% of their average net income over the previous three fiscal years to authorized community projects. India was among the first nations to incorporate mandatory corporate social responsibility (CSR) into corporate laws as a result of this regulation. Transparency was ensured by the introduction of oversight bodies including CSR Committees and reporting requirements. CSR projects are now expected to fit into particular social development categories rather than being haphazard gifts.²

Businesses' interactions with communities have significantly changed as a result of mandatory CSR. It is now more closely associated with how businesses function and manage their resources rather than only being seen as an act of kindness. This framework's overarching goal is to guarantee that corporate expansion promotes equitable and sustainable development.

Mandatory CSR indicates shifting expectations on corporate governance even as regulations change. These days, businesses function within networks of stakeholders that include workers,

¹ Sanjay K Agarwal, *Corporate Social Responsibility in India* (SAGE Publications 2008).

² Companies (Corporate Social Responsibility Policy) Rules 2014.

customers, investors, local communities, and regulators. Corporate responsibility is no longer defined by profit alone. Transparency is promoted and stakeholders are able to assess company behavior thanks to disclosure rules and reporting standards on CSR initiatives.

Mandatory CSR frameworks are one method governments try to engage companies in public development. Companies support national priorities like rural development, healthcare, education, and environmental protection through these policies. Corporate resources can assist close development gaps rather than relying solely on the state. This article explores the evolution of corporate social responsibility (CSR) in India from voluntary generosity to a legally recognized obligation. Before looking at the changes brought about by the Companies Act of 2013, it traces the historical roots of CSR practices. The article examines how legal demands have altered the relationship between corporations, the state, and society by analyzing this change.

Historical Evolution of Corporate Social Responsibility (CSR) in India

In India, concepts related to corporate social responsibility developed gradually over time. Many businesses previously promoted community well-being well in advance of any legislation mandating such measures. Regulations had less of an impact than deeply ingrained traditions, individual morals, and the founders' guiding principles. Because of this context, early CSR emerged as self-motivated giving rather than as an official plan. Leading business households believed that giving back was a social obligation rather than a choice.

It was formerly known as the "philanthropic era," when a large number of industrial families supported civic groups, hospitals, and educational institutions. These innovative businesses, led by individuals like Jamsetji Tata, contributed to the advancement of local well-being and education. Decades later, several of these foundations continue to influence societal advancement. Their actions were motivated by their ethical convictions and sense of duty to their communities rather than any legal obligations. As a result, giving back at the time represented personal values more than section 135 of the Companies Act of 2013³ which established corporate regulations.

What influenced perspectives on society and business? Mahatma Gandhi's concept of

³ Companies Act 2013 s 135.

"trusteeship," which viewed profit as more than just personal benefit, was partially responsible. Rather, incomes were seen as resources that were temporarily held for the benefit of society and administered on its behalf. It was expected of owners to take on the role of stewards, directing riches toward initiatives that enhanced the welfare of the community. This concept significantly influenced public expectations on the social role of enterprises, even if it did not impose legal obligations. The idea that market influence entailed responsibilities beyond shareholders gained traction over time. As a result, responsibility began to be strongly linked to financial success.

The relationship between businesses and communities started to shift later in the 20th century. Public awareness of corporate power increased as economies grew. Increased scrutiny of business behavior resulted from this prominence. In order to regulate corporate behavior in areas like consumer rights, environmental protection, and labor welfare, governments also implemented regulations. As a result of these advancements, businesses are now expected to provide more than just charitable contributions. Concerns regarding environmental sustainability, worker safety, and ethical production methods have been more and more included in CSR.

Economic reforms, which began in the early 1990s, profoundly altered the way businesses functioned throughout India. Growth in the private sector and increased integration with the world economy were promoted by liberalization measures. Global norms pertaining to sustainability and ethical business practices started to impact corporate practices as Indian companies grew increasingly integrated into global markets. Many organizations started to realize that ethical behavior might boost long-term growth, improve stakeholder interactions, and improve reputation. As a result, rather than continuing to be a distinct humanitarian endeavor, CSR began to become a part of larger business strategy.

Businesses began integrating CSR more and more into their operating frameworks by the 2000s. Numerous businesses created specialized CSR divisions and started initiatives pertaining to rural development, healthcare, education, and environmental preservation. Collaborations with community organizations and non-governmental organizations also increased in frequency. Despite these advancements, CSR initiatives continued to be optional and differed greatly amongst businesses. Some businesses made significant investments in

community projects, while others just made sporadic or symbolic contributions.⁴

The Companies Act of 2013's Section 135, which created a legal framework for corporate social responsibility, brought about a significant change. Businesses have to set aside a part of their profits for CSR initiatives if they met specific financial requirements. Additionally, the law mandated that CSR committees be established and that CSR expenditures be disclosed in business reports. The execution of CSR was given more structure and responsibility thanks to these provisions.

A major transition from voluntary participation to legally recognized duty was signaled by mandatory CSR. The state employed legislative measures to encourage businesses to contribute to social development rather than depending just on corporate benevolence. The approach sought to guarantee that economic progress also helps wider public welfare by tying business profitability to CSR spending. The concept of corporate responsibility in India's governance structure has changed as a result of this growth.

The Legal Framework of CSR in India

The Companies Act of 2013 marked a significant turning point in the amendment of corporate social responsibility in India. India became one of the few countries that directly included CSR obligations into business regulations as a result of this legal change. Now that structure is mandated by law, businesses must consistently assist societal and financial advancement. Businesses are now required by law to interact with the demands of the public rather than decide whether or not to take action. Clear regulations, according to lawmakers, would encourage businesses to play significant roles in assisting communities

The foundation for corporate social responsibility is established by Section 135 of the Companies Act of 2013. It covers companies that meet certain financial criteria, such as having a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more in any given fiscal year. certain businesses must engage in CSR initiatives in compliance with applicable laws and regulations after certain thresholds are reached. The fundamental goal of the framework is evident even though it depends on quantifiable financial thresholds: businesses with adequate financial capacity should support societal advancement

⁴ Ministry of Corporate Affairs, *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business* (2011).

without jeopardizing their own financial safety.

The establishment of a CSR Committee by the Board of Directors is a fundamental legislative necessity. This committee is in charge of creating and recommending the company's CSR policy, as well as choosing suitable initiatives and overseeing their execution. The policy must be approved by the Board, which also has to make sure the business implements the authorized actions. Instead of continuing to be a stand-alone charitable endeavor, CSR is merged with more comprehensive managerial monitoring when accountability is incorporated into the corporate governance framework.

Companies must invest at least 2% of their average net profits from the previous three fiscal years in CSR initiatives, according to another significant component of the legal framework.⁵ The categories listed in Schedule VII of the Act must apply to these activities. The calendar covers topics including gender equality, rural development, poverty alleviation, healthcare, education, and environmental sustainability.⁶ By defining these sectors, the law gives firms latitude in choosing particular initiatives while offering guidelines on the kinds of activities that fall under the category of corporate social responsibility.

The execution of CSR initiatives is likewise characterized by flexibility. Businesses can carry out initiatives directly or through societies, registered trusts, or non-governmental organizations.⁷ The success of CSR activities can be increased by working with specialized organizations, especially where technical or local knowledge is needed. In order to guarantee that CSR initiatives truly address the needs of the areas in which they are implemented, partnerships with community-based organizations are frequently beneficial.

Another essential component of the legal structure is transparency. Businesses must include information about their CSR initiatives, spending, and policies in their annual reports. These disclosure requirements enable stakeholders, such as shareholders, regulators, and the general public, to assess business behavior and contribute to the public record of corporate social endeavors

The CSR regime's accountability procedures have been reinforced by recent changes.

⁵ Companies Act 2013 s 135(3).

⁶ Companies Act 2013 sch VII.

⁷ Companies (Corporate Social Responsibility Policy) Rules 2014, r 4.

Businesses must explain in their reports why they don't spend the mandatory amount on CSR. Unused CSR monies may occasionally need to be moved to specified funds or accounts in compliance with the law. These clauses are designed to minimize implementation delays and guarantee that CSR funds are allocated to the relevant social goals.

All things considered, the Companies Act of 2013 creates a formal framework meant to institutionalize business involvement in social development. The law aims to make corporate social responsibility (CSR) a regular and structured part of business operations by imposing expenditure duties, governance structures, and transparency requirements. The framework represents a significant effort to match corporate expansion with the wellbeing of society as a whole, despite ongoing implementation and monitoring difficulties.

Impact of Mandatory CSR on Corporate Governance and Social Development

The way businesses in India currently manage social responsibilities is one result of making CSR mandatory. Businesses now treat these initiatives less like optional gifts because the Companies Act of 2013 made them a legal requirement. Rather, they use systematic plans to incorporate them into everyday operations. Changes have occurred because regulations call for a clear policy, a dedicated committee, and frequent updates. Following the establishment of these procedures, several organizations began coordinating initiatives with long-term strategies. What used to be on the periphery of business issues now has an impact on important choices. Such activities are now more frequently included in governance systems.

Increased business involvement in development projects is one of the system's main outcomes. More money is now going to social causes as a result of laws requiring eligible companies to allocate a portion of their profits to CSR initiatives.⁸ Businesses fund initiatives in fields like rural development, healthcare, education, and environmental sustainability. In addition to fostering closer linkages between businesses and local communities, these initiatives have improved a number of grassroots programs.

The legislative CSR framework has also improved corporate social initiative transparency. In their annual reports, businesses are required to provide details on their CSR policies, spending, and current initiatives. As a result, stakeholders such as investors, regulators, and the general

⁸ Ministry of Corporate Affairs, *National CSR Data Portal Reports* (Government of India).

public can assess how businesses carry out their obligations. CSR initiatives are now more scrutinized and accountable than they were in the past when they were optional.

Improved scrutiny inside corporate governance structures is another significant result of the mandated CSR system. The Board of Directors and the legally mandated CSR Committee share accountability for CSR initiatives. Senior management is therefore intimately involved in organizing, overseeing, and assessing CSR efforts. Through this integration, social projects are linked to more general corporate governance principles including accountability, transparency, and strategic decision-making.

Companies have been motivated to conduct social programs more methodically as a result of mandatory CSR. When conducting CSR activities, many firms work with nongovernmental organizations, philanthropic organizations, and local authorities rather than taking on projects on their own.⁹ These collaborations can increase efficiency, especially when local community involvement or specialized knowledge are needed.

At the same time, businesses are paying more attention to the wider social and environmental impact of their activities as a result of the mandated CSR policy. Responsible business practices are increasingly seen by some organizations as a component of long-term sustainability, corporate reputation, and stakeholder confidence rather than just a means of complying with regulations. CSR programs are now frequently connected to broader business policies pertaining to community involvement, resource conservation, and environmental sustainability.

Despite these advancements, there are still certain issues with the move toward mandated CSR. Some businesses, according to critics, view corporate social responsibility (CSR) more as a legal necessity than as a sincere commitment to social welfare. When this happens, corporate activities could prioritize fulfilling budgetary needs over guaranteeing long-term social benefit.

Another ongoing problem is determining the true impact of CSR initiatives. While businesses reveal how much money they spend on CSR initiatives, assessing long-term gains in community welfare is more difficult. Clearly defined objectives, community involvement, and ongoing monitoring are necessary for effective assessment. It might be challenging to assess

⁹ Companies (Corporate Social Responsibility Policy) Rules 2014, r 4

whether CSR programs yield significant and long-lasting results in the absence of such systems.

In general, the connection between Indian corporations and society has changed as a result of the implementation of statutory CSR duties. The law encourages businesses to acknowledge the wider effects of their operations on communities and the environment by integrating CSR obligations into corporate governance frameworks. Mandatory CSR has significantly increased corporate involvement in social development and reinforced the notion that corporate success should also contribute to public welfare, notwithstanding certain ongoing restrictions.

Challenges and Criticisms of the Mandatory CSR Framework

Concerns regarding the true impact of required corporate social responsibility (CSR) persist even if it promotes business involvement in social activities. Opponents frequently claim that businesses would view the mandate as a formal necessity rather than a significant commitment to social development. The larger goal of CSR may be obscured when meeting the spending obligation takes precedence. As a result, rather than addressing actual community needs, projects may be chosen largely to meet budgetary criteria. Under such conditions, meaningful long-term impact may be restricted and administrative compliance may take precedence over significant societal outcomes.

The unequal regional allocation of CSR investment is another major issue. Businesses typically carry out initiatives in locations where they currently run or maintain infrastructure. As a result, although distant or less developed locations receive relatively less attention, urban areas and economically prosperous states frequently receive a bigger share of CSR expenditure. This pattern raises the possibility that, rather than assisting in the reduction of regional inequities, CSR investment may inadvertently exacerbate them.

Questions also arise regarding the monitoring and evaluation of CSR initiatives. Although concerns about the tracking and assessment of CSR projects also come up. Even though the Companies Act of 2013 mandates that businesses record their CSR expenditures and activities in their annual reports, determining the true social impact of these programs is still difficult. Requirements for reporting encourage financial transparency, but they don't necessarily offer conclusive proof of the success or long-term viability of CSR initiatives.

As a result, it may be challenging to gauge the true developmental results of many projects.¹⁰

Finding appropriate CSR initiatives or trustworthy implementation partners can also present practical difficulties for businesses. Careful planning, community involvement, and alignment between business goals and society demands are all necessary for successful CSR efforts. Even well-meaning initiatives may fall short of addressing the most urgent local issues in the absence of sufficient direction or cooperation. Meaningful development frequently requires long-term collaborations, community involvement, and ongoing assessment of project results.

The mandated CSR framework is nevertheless a major effort to increase business involvement in social development in spite of these obstacles. Improvements in monitoring systems, increased cooperation between businesses and implementing agencies, and a stronger focus on effect evaluation rather than just spending will be necessary for the system to reach its full potential.

Conclusion

The present study critically examined the framework of Corporate Social Responsibility (CSR) under Section 135 of the Companies Act, 2013, with majorly putting emphasis on whether the provision of CSR has meaningfully transformed corporations into socially accountable institutions or not.¹¹ This research establishes that CSR model in India constitutes a distinctive regulatory experiment that combines corporate governance with welfare objectives. By way of mandating a minimum expenditure through a compliance model as mentioned under the act, the legislation seeks to reconcile private companies with constitutional commitments to increase social justice and promote inclusive development.

A main finding of this study is that the Section 135 of the companies act has successfully institutionalised CSR within the corporate governance structures and Corporations that are falling within this statutory threshold are required to constitute CSR Committees, formulate CSR policies, disclose expenditure patterns, and report compliance in prescribed formats.¹² This model has shifted CSR from voluntary corporate obligation to a legally supervised obligation. In simple terms the CSR has transformed from moral expectation to statutory

¹⁰ Companies Act, 2013, Section 134(3)(o) and Section 135; Ministry of Corporate Affairs, *Companies (CSR Policy) Rules, 2014*.

¹¹ Companies Act, 2013, s. 135.

¹² *Ibid.*; Companies (Corporate Social Responsibility Policy) Rules, 2014.

enforceability, aligning corporate conduct with the welfare orientation as shown under Part IV of the Constitution of India.¹³

However, the research further reveals that quantitative expansion of CSR expenditure has not necessarily translated into qualitative transformation. The dominant emphasis remains on fulfilling the “2% obligation,” often measured in financial terms rather than developmental impact.¹⁴ This compliance focused model encourages projects which are short-term and year-end spending patterns. The CSR practically operates as a regulatory requirement that needs to be satisfied within the financial year, rather than as an embedded corporate ethic guiding long-term decision-making.

The study also identifies structural limitations in enforcement design. Although penalties exist for non-compliance following statutory amendments, CSR obligations are primarily monitored through disclosure and governmental oversight mechanisms.¹⁵ The absence of direct public enforcement mechanisms limits participatory accountability. CSR duties remain internal corporate responsibilities supervised by the State, rather than enforceable entitlements accessible to affected communities.

Another significant finding concerns the interpretative impact of Schedule VII of the Companies Act. The major recognised CSR activities like education, healthcare, sanitation, and rural development has contributed to sectoral concentration in relatively noncontentious sectors and the Corporations often favour initiatives that generate visible and reputationally beneficial outcomes. This risk-averse pattern of CSR investment discourages engagement combined with structurally sensitive issues, including labour conditions, displacement, environmental justice, or systemic inequality. The result is a welfare-oriented approach that prioritises service delivery over transformative structural reform.

¹³ Constitution of India, Part IV (Directive Principles of State Policy), arts. 38 & 39.

¹⁴ Companies Act, 2013, s. 135(5).

¹⁵ Companies (Amendment) Act, 2019; Companies (Amendment) Act, 2020 (penalty framework for CSR non-compliance).