



CORPORATE SOCIAL RESPONSIBILITY IN INDIA: LAW, POLICY, AND SOCIAL IMPACT

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ABSTRACT :

Corporate Social Responsibility (CSR) in India has changed from philanthropy to a legal responsibility under the Companies Act, 2013. CSR now is much more than charity, it is about creating positive situation for both business and its stakeholders by supporting financially major areas of social upliftment such as education, healthcare, livelihood, rural development, and environmental protection. The research methodology in this paper is doctrinal, utilizing primary legal materials such as statutes, case law, and government regulations, along with secondary sources like academic journal articles and corporate reports. This study attempts to explain how CSR contributes to improving living standards and reducing inequalities. It also focusses the challenges that limit the full impact of CSR and concludes with suggestion that better planning and accountability are needed to ensure sustainable social progress.

Keywords: *corporate, social, responsibility, sustainable*

I. Introduction:

The history of Corporate Social Responsibility (CSR) in India developed very differently from Western countries (Carroll, 1999; Sundar, 2000). Indian businesses were mostly family-owned, and the earliest form of CSR was religious charity (Sundar, 2000). This charity, called *daan*, involved giving money or goods to help the poor, support education, or do other social work (Sundar, 2000). It also helped businesses gain social acceptance and legitimacy (Mohan, 2001). CSR in India did not grow in a straight, predictable way. Instead, it was shaped by India's culture, history, and political changes (Chakrabarty, 2008).

Modern Indian businesses grew from traditional trading communities and family businesses. Their responsibilities were dynastic rather than professional or institutional (Sundar,



2000). These early businesses believed in helping others based on a “circle of obligation.” First, they cared for their family, then their caste group, then their religion, and finally society (Mohan, 2001). Their charitable work often included small projects like building wells or roads (Sundar, 2000). From 1850 to 1914, Indian businesses began to adopt Western-style philanthropy. Many business families started trusts, charities, and institutions to support social causes (Sundar, 2000).

After India became independent, the country adopted a mixed economy with both state-owned and private companies (Chibber, 2003). During this period, CSR was influenced by Gandhian Trusteeship (Gandhi, 1948). Gandhiji believed that companies should act as “trustees” of wealth and work for the common good (Gandhi, 1948). However, this model had weaknesses because it had no clear rules or consistency (Mohan, 2001). At the same time, companies began using Western-style philanthropy, which involved planned and organized charitable work. But sometimes this philanthropy acted as a cover for corporate wrongdoing, while companies continued focusing on profit-making (Banerjee, 2007).

In the 1960s, India went through political and economic problems. People lost trust in businesses, and the government struggled to meet social welfare needs (Chibber, 2003). By the 1970s, companies realized that helping communities was in their own interest. The government also introduced policies encouraging businesses to support social development (Sundar, 2000). This decade saw the rise of NGOs, also called the third sector (Kumar, 1996). NGOs moved from giving charity to promoting self-reliance and empowerment (Kumar, 1996). The government encouraged donations to NGOs and gave tax benefits, such as Section 35CC of the Income Tax Act (1977) (Government of India, 1977). But these incentives were later removed because they were being misused (Sundar, 2000).

The 1990s brought Liberalization, Privatization, and Globalization (LPG) (Ahluwalia, 2002). International companies entered India, and the private sector gained more power. CSR became linked to ideas like sustainable development, corporate governance, and shared value (Porter & Kramer, 2011). The government started depending on private companies for national growth (Ahluwalia, 2002). However, liberalization also caused problems. Some companies violated human rights and damaged the environment (Banerjee, 2007). Cases like Coca-Cola’s groundwater pollution (Srivastava, 2015) and Vedanta’s conflict with tribal communities



(Amnesty International, 2013) caused public anger and global criticism. These incidents pushed India toward the modern legal CSR system we have today, including the CSR provisions under the Companies Act, 2013 (Government of India, 2013).

II. Objectives of the Study:

- 1] To examine the evolution and legal framework of Corporate Social Responsibility (CSR) in India
- 2] To analyse the policy implementation and institutional mechanisms governing CSR in India
- 3] To evaluate the social and economic impact of CSR spending in India.

III. Methodology:

This study adopts a doctrinal research methodology, primarily based on the analysis of legal and documentary sources. It examines primary materials such as the Companies Act, 2013, Section 135, CSR Rules, 2014, relevant amendments, government circulars, and Schedule VII to understand the legal framework governing Corporate Social Responsibility in India. These statutory provisions form the core basis for analysing the structure, scope, and compliance requirements of mandatory CSR.

The research also relies on secondary sources including books, journal articles, government reports, corporate disclosures, and institutional publications to assess CSR trends, sector-wise spending, and policy impact. A qualitative analytical approach is used to interpret legal provisions and CSR expenditure data in order to evaluate their effectiveness in promoting social development and sustainable growth.

IV. Results and Discussion:

4.1: Corporate Social Responsibility in India

The Companies Act, 2013 made CSR spending mandatory for large companies from April 1, 2014 (Companies Act, 2013). This created a major change in how companies in India approach social responsibility. Before this law, CSR activities were mostly voluntary (Sundar, 2013). But with the mandate, CSR became a structured part of business planning. The law has increased the



number of companies participating in social development projects across the country (Ministry of Corporate Affairs [MCA], 2020).

The CSR mandate has brought new investments into education, health, environment, and community development (UNDP India, 2017). It has also encouraged companies to plan their CSR projects more strategically instead of treating them as charity (Porter & Kramer, 2006). Another major impact of the law is that companies now have to report their CSR activities every year, which has improved transparency and accountability (PwC India, 2013).

Mandatory CSR has created opportunities for companies, government bodies, non-profit organizations, and communities to work together. Companies can now support developmental work in innovative and long-term ways. Non-profit organizations also benefit because they receive more funding for their social programmes (Sen, 1992). Communities gain access to new services such as better schools, clean water, and skill development programmes.

The Ministry of Corporate Affairs (MCA) ensures that CSR rules are followed and reports are submitted on time (MCA, 2020). The Indian Institute of Corporate Affairs (IICA) provides training, research, and guidelines for companies to improve CSR practices (Indian Institute of Corporate Affairs [IICA], 2025). These regulatory bodies help make CSR stronger and more widespread in India. They also focus on reducing inequalities without stopping business growth.

CSR spending has increased every year since mandatory CSR began in 2014–15 (MCA, 2020). In the financial year 2018–19, companies in India contributed around Rs. 18,653 crores to CSR activities (MCA, 2020). This continuous growth in recent years till date and the growth shows that companies are taking CSR obligations seriously.

4.2: Legal Framework of CSR

Corporate Social Responsibility (CSR) in India became a formal legal requirement with the introduction of the Companies Act, 2013 (Companies Act, 2013). Section 135 of the Act lays down who has to comply with CSR, how CSR committees must function, how CSR money should be spent, and how companies must disclose their activities (Companies Act, 2013).



4.2.1: When CSR Becomes Mandatory

A company must follow CSR rules if it meets any one of the following financial limits in the previous financial year (Companies Act, 2013):

- A net worth of ₹500 crore or more
- A turnover of ₹1000 crore or more
- A net profit of ₹5 crore or more

If a company does not meet these limits for three years in a row, then it no longer needs to follow the CSR rules until it once again crosses any of the thresholds (Companies Act, 2013). This ensures CSR obligations apply to companies financially capable of making such contributions.

4.2.2: CSR Budget and Expenditure Rules

There is mandatory CSR spending requirement. That is eligible companies must spend at least 2% of the average net profits of the last three financial years on CSR activities every year (Companies Act, 2013). The Board of Directors is legally responsible for ensuring this money is spent properly.

4.2.3: Activities That DO NOT Count as CSR

Activities that cannot be counted as CSR include any initiative that benefits only the company's employees or their families, as CSR is meant for the wider community (CSR Rules, 2014). Similarly, one-time events such as marathons, awards, and sponsorships are excluded because they do not create long-term social impact (CSR Rules, 2014). Expenses that companies are legally required to incur, such as compliance-related obligations, also cannot be treated as CSR since they are part of routine business responsibilities (CSR Rules, 2014). Political contributions are strictly prohibited from being classified as CSR to prevent misuse of funds for partisan interests (Companies Act, 2013). Any activity undertaken in the normal course of business, or CSR projects outside India, is also not allowed (CSR Rules, 2014). Additionally, administrative overheads cannot exceed 5% of the total CSR budget, ensuring that the maximum amount is directed toward actual social projects (CSR Rules, 2014). These restrictions aim to protect the spirit of CSR by ensuring that company funds genuinely serve public welfare and contribute to sustainable development.



4.2.4: Modes of Implementing CSR

Companies can implement CSR activities through multiple approved modes to ensure flexibility and accountability (CSR Rules, 2014). They may carry out projects using their own registered Section 8 company, trust, or society, which allows them to directly manage and monitor the initiatives. Alternatively, they can partner with government-established entities, such as trusts, foundations, or societies created by the Central or State Government, ensuring transparency and alignment with national development goals (CSR Rules, 2014). Companies may also work with external implementing agencies that have a proven track record of at least three years in conducting similar social activities, which helps maintain credibility and effectiveness (CSR Rules, 2014). Additionally, two or more companies may collaborate to undertake CSR projects jointly; however, each company must individually report its CSR expenditure and outcomes (CSR Rules, 2014). This structure provides organizations with multiple pathways to participate meaningfully in CSR while ensuring compliance with legal requirements.

4.2.5: Approved CSR Activities

Schedule VII of the Companies Act provides a broad list of themes that qualify as CSR (Companies Act, 2013). The list is meant to be interpreted liberally, so companies can design projects that match the spirit of social development (MCA, 2014). COVID-19 related health and relief work is also treated as eligible CSR (MCA, 2020).

4.2.6: Roles of the Board of Directors and CSR Committee

The Board of Directors holds primary responsibility for overseeing a company's CSR obligations and ensuring compliance with the law (Companies Act, 2013). It must constitute a dedicated CSR Committee, approve the CSR Policy, and ensure that the company meets the mandated minimum CSR spending each financial year (Companies Act, 2013). If any portion of the CSR budget remains unspent, the Board is required to state valid reasons and transfer the amount to specified funds as per legal requirements (Companies (Amendment) Act, 2019). The Board must also give preference to local areas around the company's operations while planning CSR initiatives, reinforcing the principle of community-centered development (Companies Act, 2013). The CSR Committee, in turn, plays a crucial advisory and supervisory role. It must



formulate and recommend the CSR Policy, suggest appropriate budget allocations, and closely monitor the progress of approved CSR projects (CSR Rules, 2014). The committee is also responsible for ensuring that all statutory CSR disclosures are accurately included in the company's annual report (Companies Act, 2013). In cases where a company is not required to appoint an Independent Director, the Committee may consist of at least two directors (Companies Act, 2013). Together, these responsibilities ensure that CSR remains a high-priority governance function guided by transparency, accountability, and strategic implementation.

4.2.7: Amendments and Compliance Rules

The Companies (Amendment) Act, 2019 and the subsequent Companies (Amendment) Bill, 2020 introduced several important changes to strengthen CSR compliance in India (Companies (Amendment) Act, 2019). One major change was related to unspent CSR amounts. If a company did not spend its CSR funds on a non-ongoing project, it was required to transfer the unspent amount to a government-approved fund within six months (Companies (Amendment) Act, 2019). For ongoing CSR projects, any unspent amount had to be moved to a special "Unspent CSR Account" within 30 days, and the company was required to use this amount within three financial years; otherwise, it had to be transferred to a government fund (Companies (Amendment) Act, 2019). The amendments also introduced penalties for non-compliance, including monetary fines for both companies and responsible officers (Companies (Amendment) Act, 2019). Earlier proposals even included imprisonment for officers, but this was later removed in the 2020 Bill (Companies (Amendment) Bill, 2020). Another significant reform allowed companies to set off excess CSR spending against their future CSR obligations, giving them more flexibility in long-term planning (Companies (Amendment) Act, 2019). Overall, these amendments increased accountability, tightened compliance requirements, and ensured that CSR funds were used more responsibly and transparently.

4.2.8: CSR Trends and Coverage in India

A study conducted by the Institute of Directors (IOD) in 2016 found that most companies in India focused their CSR activities on areas that directly benefit communities (Institute of Directors [IOD], 2016). Education and health emerged as the most preferred themes, with each accounting for 16% of the total CSR initiatives (IOD, 2016). Water, sanitation, and rural



development were also significant focus areas, contributing 10% each (IOD, 2016). These findings show that companies tend to invest in sectors that have a high social impact and directly improve the quality of life for people, especially in underserved regions.

4.2.9: Principles of Effective CSR

Effective Corporate Social Responsibility (CSR) rests on five important principles that guide companies in creating meaningful and lasting impact (Porter & Kramer, 2006). The first principle is compliance, which requires companies to follow Section 135 of the Companies Act and all related amendments (Companies Act, 2013). The second is transparency, ensuring that all CSR activities and decisions are openly shared with stakeholders to build trust (PwC India, 2013). The third principle is stakeholder engagement, which encourages collaboration with employees, communities, government bodies, and partner organizations to achieve mutually beneficial outcomes (Bhattacharya et al., 2009). The fourth is relevance, meaning that CSR initiatives should match both the company's values and the real needs of the community. The final principle is sustainability, which emphasizes planning CSR activities in a way that ensures long-term benefits, even during periods of financial difficulty (Nidumolu et al., 2009). By following these five principles, companies are better able to balance the goals of People, Planet, and Profit, and contribute to sustainable development.

V. Conclusion:

Corporate Social Responsibility (CSR) in India has evolved from a voluntary practice into a structured and legally guided framework following the Companies Act, 2013. It has become more transparent, accountable, and impact-oriented, shifting focus from short-term charity to sustainable development. In FY 2023–24, CSR spending largely targeted education, healthcare, environmental protection, rural development, and livelihood generation—sectors crucial for inclusive growth and community empowerment. Through these initiatives, companies contribute to reducing inequalities, strengthening public services, and improving living standards.

Large corporations play a significant role by investing substantial resources and setting standards for responsible business conduct. CSR has also promoted partnerships among businesses, government agencies, NGOs, and communities, fostering collaborative approaches to social



change. However, challenges such as regional imbalance in fund allocation, weak monitoring mechanisms, and limited implementation capacity hinder its full effectiveness.

To maximize impact, CSR funds must be distributed more strategically, especially in underserved areas. Stronger monitoring, transparent reporting, digital tracking, and third-party evaluations are essential. Emphasis should be placed on long-term projects like skill development, women's empowerment, renewable energy, and rural infrastructure. With proper planning and accountability, CSR can serve as a transformative instrument for inclusive and sustainable development in India.

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