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CSR Non-Compliance and Corporate Accountability in India: Examining Corporate Social Responsibility Violations

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ABSTRACT

Corporate social responsibility (CSR) in India has undergone substantial evolution, from voluntary philanthropy to a robust legal framework mandating qualifying companies to engage in socially responsible practices. This paper analyzes India's CSR trajectory, examining the legal provisions, significance, expenditure guidelines, reporting requirements, and enforcement mechanisms codified predominantly in the Companies Act, 2013. It discusses the responsibilities and liabilities of directors concerning CSR. Through an incisive analysis of amendments, notifications, and case laws, this paper highlights the responsiveness underlying CSR regulations while surfacing gaps in accountability and enforcement. It argues that despite a progressive legal framework, CSR implementation remains patchy due to limited director liabilities, weak whistleblower protections, and inadequate social impact evaluation. Strengthening transparency, maximizing social returns on CSR spending, and fostering an ethical corporate culture are imperative. While the Indian CSR framework sets a benchmark, its future success lies in emphasizing accountability, integrity, and conscious corporate citizenship.

Keywords: Corporate Social Responsibility, Companies Act 2013, Director Liabilities, CSR Enforcement, Corporate Accountability, CSR Violations

Introduction

In recent times, the concept and practice of Corporate Social Responsibility in India has gone through a major shift, reflecting worldwide trends towards ethical and accountable business conduct. As global corporations come to terms with their impact on communities and nature, India too has recognized the vital role that companies play in sustainable growth. To fully grasp this evolution in CSR, we must trace its trajectory within the unique Indian milieu.[1]

CSR's origins in India can be found in longstanding traditions of charitable giving and philanthropy ingrained in the culture. However, formal and organized CSR gained prominence with the Companies Act 2013. Section 135 of this law mandates qualifying companies to allocate a percentage of profits to approved CSR activities - thus moving CSR from voluntary action to mandated responsibility. This key policy change signals a conscious effort to sync corporate interests with social welfare. The range of permissible CSR activities is vast, covering environmental sustainability, education, healthcare and more.

Compliance apart, CSR serves as a lynchpin for anchoring ethical business practices. Companies are expected to balance profit goals with responsibility towards society, environment and economy. CSR's value lies in bridging the gap between financial growth objectives and public good. Socially and ecologically considerate corporate behavior, powered by CSR, can aid poverty reduction, environmental protection and inclusive economic progress. Integrating social and ecological considerations into strategy transforms companies into drivers of constructive transformation.[2]

Historical Evolution of CSR in India

The practice of companies contributing to social welfare, known as Corporate Social Responsibility, has undergone major transformations over time, mirroring changing expectations in society regarding business ethics and accountability. Historically, corporate involvement in social causes was largely philanthropic in nature, with ad-hoc donations to charities lacking a structured approach. However, the late 20th century brought a seismic shift in perspectives on companies' duties, with greater emphasis on holistic, integrated CSR practices.

Globally, the concept of CSR expanded to include ethical, social and environmental dimensions, stemming from the realization that corporations are not isolated money-making machines but embedded within the communities they operate in. The Triple Bottom Line paradigm exemplifies this, evaluating

[1] Corporate Social Responsibility under Section 135 of Companies Act 2013, *available at*: https://cleartax.in/s/corporate-social-responsibility (last visited November 1, 2023).

[2] [Opinion] Non-compliance of CSR Provisions under the Companies Act 2013, *available at*: https://www.taxmann.com/post/blog/opinion-non-compliance-of-csr-provisions-under-the-companies-act-2013/ (last visited November 1, 2023).

corporate success through financial performance as well as social and environmental impact. In India, while CSR is rooted in long-standing traditions of charity and duty, its formalization as a corporate practice gained momentum recently. A key catalyst was the 2013 Companies Act, which mandated qualifying companies to allocate profits to CSR - a marked shift from voluntary CSR to imposed responsibility.

The Companies Act, 2013 was a watershed moment, cementing CSR's regulatory framework. Section 135 and accompanying rules in 2014 made CSR spending obligatory for larger companies, underscoring that corporations are duty-bound to promote social welfare.

Another important milestone was the National Voluntary Guidelines of 2011 which provided a CSR blueprint emphasizing integrative business practices benefitting society and the environment.[3]

After the foundational legislation, subsequent changes to India's CSR framework through amendments and directives have focused on enlarging the scope and enhancing the effectiveness of CSR activities. The approach has graduated from simplistic financial contributions to nurturing sustainable, high-impact initiatives that align with responsible business values.

The progressive evolution of CSR regulations indicates an agile, needs-based approach that acknowledges corporations' rising responsibilities amidst pressing societal and ecological challenges. As the legal scaffolding underpinning CSR strengthened over time, attention shifted to oversight mechanisms to ensure accountability and compliance, in cases where companies fail to fulfill mandated CSR commitments.

The dynamic trajectory of India's CSR policy mirrors global realignment towards ethical business practices benefitting communities and environment. It reflects a consultative approach responsive to contemporary needs and priorities. Recent initiatives aim to incentivize high-impact CSR that serves urgent social, economic and environmental imperatives. The emphasis on oversight mechanisms also reinforces corporate accountability.

The Significance of Corporate Social Responsibility

Commitment to Corporate Social Responsibility signifies a company's comprehensive efforts to create positive change in society. CSR transcends basic philanthropy, encompassing strategic initiatives aimed at substantial societal advancement. Below are some compelling reasons that highlight CSR's vital role:

Cultivating Favorable Public Perception

Strategic Messaging: CSR provides powerful messaging to shape public perceptions. By publicizing contributions to social welfare, companies can cultivate goodwill and acceptance among consumers.

Amplifying Media Prominence

Driving Positive Coverage: CSR boosts companies' visibility across media channels. Earning positive coverage not only expands reach but also fosters a favorable brand narrative.

Building Enduring Brand Equity

Resonating with Customers: CSR builds meaningful connections with customers that go beyond transactions, creating robust brand equity. Demonstrating social accountability resonates powerfully.

Setting Apart from Industry Peers

Standing Out: In competitive contexts, CSR involvement becomes a differentiator demonstrating values-driven commitment to communities. Such differentiation resonates strongly with stakeholders.[4]

Legal Framework for CSR in India

The primary legal framework governing CSR in India is enumerated in the Companies Act, 2013. The key provisions are in Section 135 and the accompanying Rules issued in 2014, which mandate qualifying companies to pursue social responsibility initiatives. Analysis of these provisions provides insight into the obligations imposed on corporations.

Section 135 stipulates "financial thresholds for applicability - companies with net worth over INR 500 crore, turnover exceeding INR 1000 crore, or net profit over INR 5 crore in a financial year must spend a minimum percentage of average net profits from the previous 3 years on CSR activities". The Act outlines suitable activities in Schedule VII, spanning poverty alleviation, education, gender equality, and more.

The law requires applicable companies to establish a CSR Committee per Section 135. It must have at least 3 directors, including one independent director. This committee is critical in framing the CSR Policy and monitoring its implementation, aligning programs with societal priorities.[5]

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[3] Corporate Social Responsibility and Consequences of Non-Compliance, *available at*: https://www.linkedin.com/pulse/corporate-social-responsibility-consequences-non-sandeep-bhatnagar/ (last visited November 1, 2023).

[4] Penalising Companies for CSR Non-Compliance Is like Killing a Fly with a Sledgehammer, *available at*: https://thewire.in/business/csr-non-compliance-companies-act (last visited November 13, 2023).

[5] K. R. Srivats, "Company, Board Members Need to Be Wary of Penal Consequences of non-compliance: EY India" *BusinessLine*, 27 April 2021.

Provisions relating to CSR

Constitution of CSR Committee

Companies meeting specified financial criteria must constitute a dedicated CSR Committee, essential for governance and compliance.

Committee Composition

Must have at least 3 directors including one independent director, enabling impartiality in decision-making.

Formulating CSR Policy

Defining strategic objectives, focus areas and intended social impact. Provides guiding framework for CSR commitment.

Oversight on Implementation

Monitoring progress, timelines, efficacy of initiatives as per intended outcomes. Critical for success.

Alignment with Societal Needs

Ensuring CSR programs address relevant socio-economic challenges and priorities. Requires strategic understanding of operational context.

While companies have flexibility in selecting CSR causes, certain activities like PM Relief Fund donations are excluded from requirements.

The law provides structured guidelines and oversight while allowing companies to craft responsive programs tailored to local contexts. Compliance is enforced by mandatory self-reporting and auditing.

Guidelines and Notifications issued by Regulatory Authorities

Regulatory bodies, especially the Ministry of Corporate Affairs (MCA), play a pivotal role in shaping CSR compliance norms in India. The MCA issues guiding notifications and amendments that offer clarity on procedural aspects, enabling standardized adherence across companies.[6]

Through its circulars, the MCA has introduced important updates to the CSR framework addressing practical difficulties faced by companies. These include relaxations allowing carry-forward of unspent CSR amounts under certain conditions, acknowledging implementation challenges. Such pragmatic changes reflect a nuanced approach.

Additionally, the MCA notified CSR Policy Amendment Rules in 2021, mandating online portals for real-time tracking of CSR spending. This digital governance reform aims to enhance transparency and public oversight over CSR adherence.

Voluntary guidelines like the National Guidelines on Environmental and Social Responsibilities of Business also supplement the formal law, promoting ethical business conduct. Though non-binding, these guidelines shape India's CSR ethos.

A 2019 Amendment to the Companies Act empowered the MCA to probe alleged CSR violations, underscoring its commitment to compliance. This statutory change enables tighter monitoring and deterrence of breaches.

Thus, notifications and circulars from regulatory authorities inject dynamism into the CSR framework, responding to evolving compliance needs. However, concerns remain regarding enforcement effectiveness, requiring ongoing review. Overall, guidelines from MCA promote standardized, transparent CSR implementation while addressing practical difficulties. But beyond rule-making, robust oversight mechanisms are essential to ensure accountability.

CSR Expenditure

The Companies Act, 2013 outlines the legal framework governing Corporate Social Responsibility spending calculations and admissibility.

Section 198 specifies the computation of average net profit for CSR purposes, using Profit Before Tax as the benchmark for net profit under Section 135. Certain items are excluded.

Administrative overheads like general CSR management costs are permitted up to 5% of total CSR spend as per the CSR Rules 2014. These pertain to company expenses only, excluding implementing agency overheads.

Capital asset transfer costs like stamp duty and registration fees qualify as admissible CSR expenditure.

Excess CSR spending can be set off against the mandatory 2% spend in the next 3 years, subject to Rule 7(3). But if CSR rules are not applicable, the excess amount lapses after the succeeding 3 years.[7]

The preference for local areas is considered discretionary, not compulsory. Balance with national priorities is encouraged.

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[6] Guidance Note on Corporate Social Responsibility, *available at*: https://www.icsi.edu/media/webmodules/Guidance_Note_on_CSR_Final.pdf (last visited November 13, 2023).

[7] CSR Accounting, *available at*: https://egyankosh.ac.in/bitstream/123456789/77412/1/Unit-1.pdf (last visited November 13, 2023).

CSR spends are not tax-deductible business expenditures under the Income Tax Act 1961, and have no specific tax exemptions.

In-kind CSR contributions cannot be monetized. Expenditure is restricted to Schedule VII activities.

Spending can be through direct activities, fund contributions and incubator/R&D support.

Contributions to certain specified funds are admissible, but unspecified Schedule VII funds do not qualify.

CSR should not fund government scheme resource gaps but can undertake similar activities independently.

While employee involvement in CSR is encouraged, it cannot be monetized.

CSR Implementation

The Companies (CSR Policy) Rules, 2014 outline the legal framework governing CSR implementation and reporting:

CSR Implementation Modes

Rule 4 provides three avenues for CSR implementation:

1. Directly by the company
2. Through eligible agencies
3. In collaboration with other companies

Eligible Implementing Agencies

Include entities established under Central/State Government, statutory bodies, and others with 3 years' experience in similar activities.

Income Tax Registration Requirements

Entities under Section 8, registered public trusts or societies must have 12A and 80G registration, except government bodies.

Registered Public Trusts

In states without mandatory public trust registration, those registered under the Income Tax Act qualify.

MCA21 Registration Purpose

To create a database, enhance accountability, transparency and strengthen the CSR ecosystem.

Mandatory MCA21 Registration

All implementing agencies under Rule 4(1) must register on MCA21 portal from 1st April 2021 onwards to undertake CSR activities.

Direct CSR Activities

Do not require MCA21 registration of implementing agency.

CSR Reporting in Board's Report

Rule 8(1) mandates inclusion of CSR details as per Annexure I or II in the Board's Report for eligible companies.

Reporting Requirement for Foreign Companies

Eligible foreign companies must include the CSR Report in balance sheet per Section 381(1)(b).

Website Disclosure

Board must disclose composition of CSR Committee, Policy and approved projects on the company website under Rule 9.

Disclosure of All Approved Projects

Irrespective of outlay or percentage, all Board approved CSR projects must be disclosed online for transparency.[8]

Conceptual Framework

Corporate accountability, within the Indian legal framework, encapsulates the legal responsibilities corporations bear towards society, the environment, and stakeholders. The conceptualization of corporate accountability extends beyond profit maximization, emphasizing a broader commitment to ethical, social, and environmental considerations. In the Indian context, the legal responsibilities of corporations are multifaceted and are not confined solely to

[8] S C Tripathi, *New Company Law* 248 (Central Law Publication, Parayagraj, 2nd edn., 2023).

the fiduciary duties owed to shareholders. The advent of Corporate Social Responsibility provisions in the Companies Act, 2013, represents a significant paradigm shift. Corporations are now legally obligated to allocate a portion of their profits towards initiatives that contribute to societal well-being.

Section 135 of the Companies Act, 2013, mandates certain companies to undertake CSR activities. The legal obligations outlined in this section underscore the statutory recognition of corporations as instrumental entities in fostering social development.

The legal responsibilities also encompass compliance with labor laws, environmental regulations, and corporate governance norms. Non-compliance with these statutory requirements not only exposes corporations to legal repercussions but also erodes the trust of stakeholders, impacting their social license to operate.

In the landmark case of *Union Carbide Corporation v. Union of India*[9], the Supreme Court emphasized the legal obligation of corporations to ensure the safety of the environment and the well-being of communities. This case laid the foundation for integrating environmental concerns into the legal framework governing corporate accountability.

Corporate accountability, therefore, entails a symbiotic relationship between corporations and the larger socio-legal ecosystem. It is a recognition that corporations, as entities with considerable economic influence, wield power that must be wielded responsibly. This responsibility is codified in various statutes and regulations, with CSR obligations serving as a tangible manifestation of this broader legal duty.

Amendments to Section 135

The Companies (Amendment) Act, 2019, brought about significant changes to Section 135 of the Companies Act, reinforcing penalties for non-compliance with Corporate Social Responsibility obligations. These amendments, detailed below, underscore the legislature's intent to strengthen corporate accountability and ensure the effective utilization of funds allocated for CSR activities.[10]

Section 135 (5) (a)

(i) Extension of Financial Years:

The amendment provides flexibility by allowing companies to consider the period "where the company has not completed the period of three financial years since its incorporation" in addition to the immediate three preceding financial years when calculating CSR spending obligations.

(ii) Unspent Amounts Transfer:

The second proviso now mandates companies to transfer unspent amounts, unless related to an ongoing project, to a Fund specified in Schedule VII within six months of the financial year's expiry.

Section 135 (6) - Unspent CSR Amount:

Any unspent amount under sub-section (5) related “to an ongoing project must be transferred to a special account called the "Unspent Corporate Social Responsibility Account" within 30 days from the financial year's end. The company is obligated to spend this amount in alignment with its CSR policy within three financial years from the transfer date. Failure to do so mandates the transfer of the unspent amount to a Fund specified in Schedule VII within 30 days of completing the third financial year”.[11]

Section 135 (7) - Penalties for Contravention:

Companies “contravening sub-sections (5) or (6) are subject to fines ranging from a minimum of fifty thousand rupees to a maximum of twenty-five lakh rupees. Officers of such companies in default can face imprisonment for a term up to three years or a fine ranging from fifty thousand rupees to five lakh rupees, or both.”

Section 135 (7) - (8) General or Special Directions by Central Government:

The Central Government is empowered to issue general or special directions to ensure compliance with Section 135. “Companies or classes of companies must adhere to these directions to ensure effective implementation of CSR provisions.”

Identification of CSR Violations

Identifying Corporate Social Responsibility violations in the Indian legal landscape requires a meticulous examination of prescribed criteria. The criteria serve as benchmarks against which corporate conduct is assessed, ensuring a standardized and objective evaluation. The Companies Act, 2013, and related regulations offer a framework for understanding CSR violations.

[9] 2023 LiveLaw (SC) 200.

[10] CSR Amendment Rules 2021, *available at*: https://cleartax.in/s/csr-amendment-rules-2021 (last visited November 13, 2023).

[11] *Supra* note 10.

1. Quantitative Non-Compliance: The most apparent criterion is quantitative non-compliance with the mandatory CSR spending requirements outlined in Section 135 of the Companies Act. Companies failing to meet the stipulated threshold for CSR expenditure are prima facie considered violators. The statute prescribes a minimum spending threshold, typically 2% of the average net profits over the preceding three years.
2. Misallocation of Funds: A more nuanced criterion involves the misallocation of CSR funds. Companies must align their CSR activities with the designated sectors listed in Schedule VII of the Companies Act. Deviating from the specified areas may constitute a violation, as it reflects a divergence from the legislatively mandated social objectives.
3. Failure to Constitute CSR Committees: Qualifying companies are required to establish CSR committees to oversee policy formulation and implementation. Failure to constitute or adequately empower such committees constitutes a procedural violation, indicating a lack of internal oversight mechanisms.
4. Non-disclosure and Inadequate Reporting: Transparent reporting is integral to CSR accountability. Non-disclosure of CSR activities, or adequate and inaccurate reporting, constitutes a violation. Companies are obligated to publish detailed CSR reports, ensuring stakeholders have access to comprehensive information.[12]

CSR Enforcement: Penalties for Non-Compliance

Fines for Non-Transfer of Unspent CSR Amounts (Section 135(7))

- Company: Twice the unspent amount or INR 1 crore, whichever is less
- Every Defaulting Officer: 1/10th of unspent amount or INR 2 lakhs, whichever is less

Post-Transfer Penalties

Fines apply even if unspent amounts are later transferred to Unspent CSR Accounts or Schedule VII funds. Penalties are in addition to mandated spending under Sections 135(5) and 135(6).

Specificity of Section 135(7)

Section 135(7) exclusively covers penalties for non-transfer of unspent CSR amounts, not other provisions.

Non-Compliance with Other Provisions (Sections 134(8), 450 and 454(8))

For violations apart from Sections 135(5) and 135(6), Section 134(8) or the general penalty under Section 450 applies. Non-payment of fines falls under Section 454(8).

Section 450

Covers contraventions of the Companies Act/Rules or violating conditions/restrictions lacking specific penalties elsewhere.

1. Company Fine: Up to INR 10,000
2. For Continuing Violations: Further fine up to INR 1,000 daily

Section 454(8)(i)

Non-payment of adjudicating officer/Regional Director fines within 90 days:

- Company Fine: Minimum INR 25,000, up to INR 5 lakhs

Section 454(8)(ii)[13]

Non-payment of fines by company officers within 90 days:

- Imprisonment up to 6 months, or
- Fine between INR 25,000 to INR 1 lakh, or
- Both[14]

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[12] Neetha Rose C D and Aparna Radhakrishnan, "Evolution and Current Status of Corporate Social Responsibility Regulation in India", 1 *SSRNEJ* 89-96 (2020).
[13] Non-compliance of CSR Provisions Will Attract Penalty under Section 135 of the Companies Act, 2013., *available at*: https://www.linkedin.com/pulse/non-compliance-csr-provisions-attract-penalty-under (last visited November 13, 2023).
[14] Krina Majithiya, "Corporate Social Responsibility in 2021: Comply or Pay Penalty", 1 *IRCCL* 1–10 (2021).

The Role and Liabilities of Directors in CSR and its Violations

Board Duties in Corporate Social Responsibility

Approving CSR Policy

The Board must approve the company's CSR policy, ensuring it aligns with values and meets legal requirements. This sets the framework for CSR activities.

Disclosing Policy

Directors must disclose the approved CSR policy in the company report, enabling stakeholder awareness of CSR commitment. They may also facilitate policy accessibility on the website.

Executing CSR Activities

The Board is responsible for overseeing implementation of CSR initiatives outlined in the policy. Directors play a hands-on role in aligning activities with company objectives.

Meeting Spending Requirements

Directors must ensure at least 2% of average net profits over preceding 3 years is spent on CSR. Shortfalls can lead to penalties and require explanation in the annual report.

Monitoring CSR Funds

The Board, especially directors, must ensure proper utilization of CSR funds. This involves monitoring and evaluating the impact of initiatives.

Reporting and Explaining Shortfalls

If the company fails to meet CSR spending requirements, the Board through its directors must explain reasons in the annual report. This transparency is crucial for stakeholders.[15]

Case Analysis

Smith N Smith Chemicals Limited (CIN: U24100DL2013PLC252186) case

The Ministry of Corporate Affairs (MCA) imposed penalties on Smith N Smith Chemicals Ltd under Section 135(5) of the 2013 Companies Act, which mandates qualifying companies to spend a minimum 2% of average net profits on Corporate Social Responsibility . Non-compliance can attract substantial fines.

Earlier, the MCA had designated the NCT of Delhi & Haryana Registrar of Companies as the Adjudicating Officer for evaluating penalties under the Companies Act, establishing the framework for future enforcement proceedings including on CSR violations.

Smith N Smith Chemicals acknowledged defaulting on its CSR obligation of INR 6,86,480.21 for FY 2020-21, achieving compliance only in 2023. This delay triggered a Show Cause Notice (SCN).

The company contended ignorance among directors and COVID-19 disruptions, seeking leniency.

Considering factors like the company's admission and Section 135(5) mandating Board-driven CSR, penalties were levied on both the firm and directors using the formula in Section 135(7).

The company was fined INR 13,72,960.42. Each of the four directors incurred INR 68,648.02, totaling INR 16,47,552.5.

This landmark case underscores the need for meticulous adherence to Section 135(5) CSR requirements, as non-compliance attracts harsh penalties. It highlights the detailed process followed by the Adjudicating Officer in computing fines.[16]

M/s Comviva Technologies Limited (CIN: U72200HR1999PLC041214) case

M/s Comviva Technologies Ltd, incorporated in 1999 and headquartered in Haryana, is a national and international courier services provider. This case involves alleged violations of Section 135, Companies Act 2013 mandating Corporate Social Responsibility spending for FY 2020-21.

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[15] Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR), *available at*: https://www.mca.gov.in/Ministry/pdf/FAQ_CSR.pdf (last visited November 13, 2023).

[16] CSR Section 135(5) Violation- MCA Imposes Rs.16.48 Penalty, *available at*: https://taxguru.in/company-law/csr-section-1355-violation-mca-imposes-rs-16-48-penalty.html (last visited November 13, 2023).

For that financial year, M/s Comviva was required to allocate INR 2,88,65,811 towards CSR activities, but spent only INR 2,83,15,689 - leaving an unspent amount of INR 5,50,122. According to Section 135(5) and Rule 10 of CSR Policy Rules 2014, this unspent sum had to be transferred to a Schedule VII fund by the financial year end.

On 22nd April 2021, the company attempted but failed to transfer the amount to the PM Relief Fund due to a technical error. This went undetected internally, and was rectified only on 30th March 2022 when the amount was deposited into the PM National Relief Fund. The company reported non-compliance on 26th July 2022.

Consequently, the Registrar of Companies issued a Show Cause notice on 7th September 2022 regarding the Section 135(5) violation. In its 16th September response, the company acknowledged the default.

The Registrar determined that by not transferring the unspent amount within six months of financial year end, Section 135(5) was breached by the company, its directors and officers. Hence, Section 135(7) penalties were invoked.

Accordingly, a total penalty of INR 15,40,341.60 was imposed on Comviva Technologies and its directors/officers for flouting Section 135(5) and Rule 10 of CSR Rules 2014. Specific penalties were INR 55,012.20 on each director (MD, CFO, CS), and INR 11,00,244 on the company.

They were instructed to pay the penalties through the MCA website within 90 days, and submit payment proof to the Registrar of Companies.[17]

Conclusion

The evolution of corporate social responsibility in India has mirrored the global movement towards ethical and sustainable business practices. From its philanthropic roots, CSR has transformed into a robust, multidimensional framework aimed at aligning corporate objectives with societal welfare. The enactment of Section 135 of the Companies Act 2013 marked a pivotal moment, converting voluntary CSR into a legal obligation for qualifying companies. This legislative mandate obligates corporations to contribute meaningfully towards poverty eradication, education, healthcare, environmental sustainability and other pressing issues facing India.

An incisive analysis of the CSR legal framework reveals a responsive, iterative approach by regulatory authorities. Guidelines and notifications issued by bodies like the MCA aim to plug gaps, foster transparency and ensure standardized compliance across diverse corporate entities. The 2019 amendments to Section 135 reinforce this responsiveness, introducing penalties for non-compliance while empowering the government to issue binding directions. However, the law is still evolving. Ambiguities exist around admissible CSR spending, particularly on the exclusion of PM Relief Fund contributions. Creative compliance practices, like in-kind CSR and integrating CSR with marketing initiatives, necessitate further regulatory scrutiny.

The identification of CSR violations, despite prescribed quantitative and qualitative criteria, remains a challenge. Quantification of social impact is complex, and the law lacks a strong enforcement mechanism. While penalties act as a deterrent, instances of violations far outstrip regulatory action. The role of independent directors on CSR committees in ensuring accountability merits greater emphasis. Director's shoulder significant responsibilities, yet face limited liabilities for CSR non-compliance. Whistleblower provisions and disclosure requirements need strengthening to prevent opacity in CSR decision-making.

Overall, the CSR legal framework in India sets a progressive benchmark, positioning corporations as central to achieving sustainable development goals. However, ensuring accountability necessitates a symbiotic, trust-based relationship between corporations and communities. Legal provisions alone cannot guarantee ethical conduct. The cultural ethos of responsible business practices must permeate corporate DNA at all levels. The success of CSR lies not just in mandating expenditure, but in fostering a truly conscious corporate citizenship that contributes meaningfully to social change. The Indian CSR framework lays the foundation, but its future evolution must focus on transparency, accountability and maximizing social impact.

[17] All Directors except KMP Not Holding Board Position Liable for CSR Violations, *available at*: https://taxguru.in/company-law/all-directors-except-kmp-holding-board-position-liable-csr-violations.html (last visited November 13, 2023).