



## Corporate Social Responsibility and Sustainable Development in India: A Legal and Policy Analysis

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### ABSTRACT :

Corporate Social Responsibility (CSR) has evolved from a philanthropic concept to a legally mandated policy instrument in India, particularly following the enactment of the Companies Act, 2013. This research paper critically analyzes the legal and policy framework surrounding CSR in India and its alignment with the goals of sustainable development. The Indian model is unique in mandating a minimum CSR spend, which distinguishes it from global practices that largely rely on voluntary commitments. This paper explores the historical context, statutory mandates, regulatory mechanisms, and judicial interventions that shape CSR in India. It also assesses the effectiveness of CSR initiatives in contributing to the Sustainable Development Goals (SDGs), with special attention to environmental jurisprudence and socio-economic equity. The paper further contrasts India's approach with international models in the UK, EU, and USA, highlighting both the innovative aspects and persistent implementation challenges in India's CSR regime. Based on this critical evaluation, the paper offers policy recommendations aimed at strengthening CSR as a tool for inclusive and sustainable development.

**Keywords:** Corporate Social Responsibility (CSR), Sustainable Development, Companies Act, 2013, Legal Framework, Environmental Jurisprudence, SDGs (Sustainable Development Goals), CSR in India, Business Ethics, Public Policy, Corporate Governance

### INTRODUCTION

The twenty-first century has witnessed a paradigm shift in the role of businesses in society. Corporations are no longer evaluated solely on the basis of their financial performance; they are increasingly expected to play a responsible role in achieving broader societal goals, including sustainable development, environmental protection, and social equity. This shift is captured in the evolving discourse on Corporate Social Responsibility (CSR), which refers to the obligations of businesses to contribute positively to society while minimizing their negative impacts.<sup>1</sup>

In India, the concept of CSR has deep historical roots, interwoven with the nation's ethical, spiritual, and philanthropic traditions. However, it is only in the last two decades that CSR has transitioned from a moral imperative to a legal mandate. The enactment of the Companies Act, 2013, marked a watershed moment, making India the first country in the world to legally mandate CSR expenditure for qualifying companies.<sup>2</sup> Section 135 of the Act imposes a statutory duty on companies meeting specified financial thresholds to allocate at least 2% of their average net profits toward CSR activities.<sup>3</sup> The Companies (Corporate Social Responsibility Policy) Rules, 2014 further clarify the modalities of compliance, reporting, and governance under the CSR framework.<sup>4</sup>

This legal codification of CSR was not merely symbolic; it was envisioned as a strategic tool to align corporate behavior with the Sustainable Development Goals (SDGs), especially in a country grappling with stark socio-economic disparities, environmental degradation, and developmental deficits.<sup>5</sup> By mandating CSR, the Indian state sought to institutionalize corporate involvement in national development objectives and embed responsible business conduct within the legal framework.

However, despite its transformative potential, the legal CSR regime has faced significant criticism. Many companies adopt a "tick-box" approach, focusing on compliance rather than impact.<sup>6</sup> Moreover, regulatory ambiguities, inadequate enforcement mechanisms, and a lack of standardized impact assessment models have hindered the effectiveness of CSR as a tool for sustainable development.<sup>7</sup>

<sup>1</sup> Carroll, A. B., *Corporate Social Responsibility: Evolution of a Definitional Construct*, 38 Bus. & Soc'y 268, 268–95 (1999)

<sup>2</sup> *Companies Act, 2013*, No. 18, Acts of Parliament, 2013 (India)

<sup>3</sup> Id. § 135.

<sup>4</sup> *Ministry of Corporate Affairs, Companies (Corporate Social Responsibility Policy) Rules, 2014*, available at [https://www.mca.gov.in/Ministry/pdf/CompaniesCSRPolicyRules\\_2014.pdf](https://www.mca.gov.in/Ministry/pdf/CompaniesCSRPolicyRules_2014.pdf).

<sup>5</sup> *United Nations, Transforming our World: The 2030 Agenda for Sustainable Development*, U.N. Doc. A/RES/70/1 (Oct. 21, 2015).

<sup>6</sup> Mohapatra, B., *Exploring Barriers to Corporate Social Responsibility Policy and Practices in India: An Empirical Analysis*, SN Bus. & Econ. (2024), <https://link.springer.com/article/10.1007/s43546-024-00761-z>.

<sup>7</sup> Mane, V. S., *Understanding the Legal and Regulatory Requirements for CSR in Different Regions: A Comparative Analysis*, ResearchGate (2024), <https://www.researchgate.net/publication/389347680>.

This research paper seeks to provide a comprehensive legal and policy analysis of CSR in India. It begins with a historical overview of CSR in the Indian context and traces its evolution into a statutory obligation. It then analyzes the legal framework and regulatory mechanisms that govern CSR, with special emphasis on the Companies Act, 2013, and related rules. The study further examines the intersection between CSR and the SDGs, evaluates judicial precedents that have influenced CSR-related jurisprudence, and compares India's legal approach to global CSR models in the UK, USA, and EU. The paper concludes with policy recommendations aimed at strengthening the legal and institutional framework of CSR in India.

## I. EVOLUTION OF CSR IN INDIA

### A. From Philanthropy to Legal Obligation

Historically, Indian companies undertook charitable works based on cultural or religious norms. CSR in its modern sense took root during liberalization in the 1990s, with increased corporate engagement in social development initiatives. However, it was the Companies Act, 2013, that marked a watershed moment.

Under Section 135 of the Act, companies with a net worth of ₹500 crore or more, turnover of ₹1,000 crore or more, or net profit of ₹5 crore or more are required to spend at least 2% of their average net profits on CSR activities.<sup>8</sup>

## II. LEGAL FRAMEWORK OF CSR

The statutory framework governing Corporate Social Responsibility (CSR) in India is principally embedded in Section 135 of the Companies Act, 2013, which made India the first country to impose a legal obligation on companies to contribute to social welfare. The section mandates that every company having a net worth of ₹500 crore or more, a turnover of ₹1,000 crore or more, or a net profit of ₹5 crore or more during any financial year must constitute a CSR Committee and spend at least 2% of their average net profits from the preceding three years on CSR activities.<sup>9</sup> The corresponding Companies (Corporate Social Responsibility Policy) Rules, 2014, provide clarity on permissible activities, such as those related to education, poverty eradication, environmental sustainability, and gender equality.<sup>10</sup>

The statutory requirements were further clarified and amended in subsequent years, notably by the Companies (Amendment) Act, 2019, which initially introduced penal provisions for non-compliance.<sup>11</sup> However, these were later softened following industry pushback, and currently, companies that fail to spend the specified amount are required to disclose reasons for such failure in their annual board reports.<sup>12</sup> The Ministry of Corporate Affairs also issued General Circular No. 01/2016, emphasizing that CSR should not be construed as a tax or levy, but as a self-regulatory mechanism aligned with national development goals.<sup>13</sup> Notably, the legal framework does not merely impose a spending obligation but also mandates institutional governance, requiring the creation of a CSR committee within the board structure, preparation of a CSR policy, and annual disclosures in prescribed formats.<sup>14</sup> Despite this structured legal scaffolding, many critics argue that the law suffers from a compliance-centric approach that overlooks the quality, inclusiveness, and long-term impact of CSR projects.<sup>15</sup>

## III. CSR AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The linkage between CSR and sustainable development in India is most prominently reflected in the alignment of mandated CSR activities with the United Nations Sustainable Development Goals (SDGs). The SDGs, adopted in 2015, set forth a comprehensive agenda for global development, encompassing 17 goals and 169 targets, ranging from poverty eradication and quality education to environmental protection and gender equality.<sup>16</sup> India's Schedule VII of the Companies Act, which lists eligible CSR activities, mirrors several of these goals—particularly SDG 3 (health), SDG 4 (education), SDG 6 (clean water and sanitation), SDG 13 (climate action), and SDG 17 (partnerships for goals).<sup>17</sup>

Empirical data shows that a significant share of CSR funds in India is directed toward sectors that have a direct bearing on these SDGs. According to a study by KPMG India, education and healthcare alone accounted for over 60% of CSR spending in recent years, highlighting a strong alignment with national and global developmental priorities.<sup>18</sup> However, scholars and policy analysts have raised concerns that this alignment is often superficial.<sup>19</sup> CSR projects are frequently disconnected from local community needs and are driven more by reputational considerations than by genuine

<sup>8</sup> Companies Act, No. 18 of 2013, § 135, India Code (2013).

<sup>9</sup> Companies Act, 2013, No. 18, § 135, Acts of Parliament, 2013 (India).

<sup>10</sup> Companies (Corporate Social Responsibility Policy) Rules, 2014, Ministry of Corporate Affairs, available at <https://www.mca.gov.in>.

<sup>11</sup> Companies (Amendment) Act, 2019, No. 22, Acts of Parliament, 2019 (India).

<sup>12</sup> See Ministry of Corporate Affairs, *Clarification on Spending of CSR Funds*, Circular No. 05/2020 (Aug. 2020).

<sup>13</sup> Ministry of Corporate Affairs, General Circular No. 01/2016, available at <https://www.mca.gov.in>.

<sup>14</sup> See *Annual Report on CSR Compliance*, Ministry of Corporate Affairs (2023), <https://www.mca.gov.in>.

<sup>15</sup> B. Mohapatra, *Exploring Barriers to Corporate Social Responsibility Policy and Practices in India: An Empirical Analysis*, SN Bus. & Econ. (2024), <https://link.springer.com/article/10.1007/s43546-024-00761-z>.

<sup>16</sup> United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development*, U.N. Doc. A/RES/70/1 (Oct. 2015).

<sup>17</sup> Companies Act, 2013, Schedule VII.

<sup>18</sup> KPMG India, *India's CSR Reporting Survey 2022*, <https://home.kpmg/in/en/home/insights/2022/12/csr-reporting-survey.html>.

<sup>19</sup> S. Dehama, *Corporate Social Responsibility and Lessons from Some Countries*, Pub. Admin. & L. Rev. (2025), <https://public.scnchub.com/palr/index.php/palr/article/view/243>.

development impact.<sup>20</sup> Furthermore, the lack of a standardized framework for evaluating the social return on CSR investments complicates any meaningful assessment of contributions to SDGs.<sup>21</sup>

To realize the full potential of CSR as a development tool, it is essential that companies move beyond a funding-centric model toward one that emphasizes long-term partnerships, participatory planning, and capacity building.<sup>22</sup> This would not only enhance developmental impact but also reinforce the idea that corporate responsibility is not just about spending profits but about how profits are made.

#### IV. COMPARATIVE ANALYSIS: INDIA AND GLOBAL STANDARDS

India's statutory approach to Corporate Social Responsibility (CSR) is distinct in the global context, primarily because of its legally mandated spending requirement under the Companies Act, 2013. In contrast, most developed economies treat CSR as a voluntary and self-regulated practice guided by ethical principles and corporate governance norms. For instance, the United Kingdom's Companies Act, 2006, while requiring directors to consider broader stakeholder interests under Section 172, does not impose specific financial obligations for CSR activities.<sup>23</sup> Similarly, the European Union advocates responsible business conduct through initiatives like the EU Strategy on CSR (2011–2014) but stops short of mandating monetary commitments.<sup>24</sup>

The United States follows an even more decentralized and market-driven model. CSR in the U.S. is often a function of corporate governance practices, investor activism, and reputational concerns, with no central legal obligation requiring companies to allocate a portion of profits for social purposes.<sup>25</sup> Enforcement is indirect and arises primarily through mechanisms like the Alien Tort Claims Act (ATCA), under which corporations may face liability for human rights violations overseas.<sup>26</sup>

India's approach, while innovative, has drawn both praise and critique. On one hand, it reflects a developmental welfare state model where the private sector is co-opted into national development agendas.<sup>27</sup> On the other hand, the mandatory nature of CSR spending has raised concerns about autonomy, tokenism, and reduced strategic engagement.<sup>28</sup> This divergence from global practice has also triggered debates around the legitimacy of legislating social responsibility and the risk of transforming CSR into a compliance burden rather than a strategic commitment.

#### V. CHALLENGES AND CRITICISM OF THE LEGAL FRAMEWORK

Despite the statutory push, the Indian CSR regime has struggled with substantive implementation and impact measurement. A major criticism is that CSR in India often becomes a formality, with companies adopting a "tick-the-box" approach aimed at meeting disclosure requirements rather than engaging with communities.<sup>29</sup> Furthermore, CSR funds are frequently concentrated in urban or semi-urban areas, sidelining remote regions and marginalized populations who may benefit more from such initiatives.<sup>30</sup>

Another significant issue is the lack of a robust enforcement mechanism. While companies are required to disclose their CSR spending, there are limited legal consequences for non-compliance beyond mandatory explanation.<sup>31</sup> The 2019 amendment initially proposed criminal penalties for failure to spend, but following pushback from the corporate sector, it was retracted in favor of a softer approach.<sup>32</sup>

Moreover, the absence of impact assessment models undermines the ability to gauge the effectiveness of CSR programs. There is no standardized framework for measuring return on social investment or assessing long-term community benefits.<sup>33</sup> In some cases, CSR funds have been channeled to NGOs with close ties to company management, raising concerns over conflict of interest and misuse of funds.<sup>34</sup> Finally, smaller companies often find it difficult to meet compliance costs or identify suitable projects, highlighting a disparity between large-cap and SME CSR engagement.<sup>35</sup>

<sup>20</sup> V.S. Mane, *Understanding the Legal and Regulatory Requirements for CSR in Different Regions: A Comparative Analysis*, ResearchGate (2024), <https://www.researchgate.net/publication/389347680>.

<sup>21</sup> R. Misra & A. Anand, *Quantifying CSR Impact on the SDGs in India: Challenges and Solutions*, J. of Development Policy, 16(3), 77–89 (2023).

<sup>22</sup> A. Rai, *Corporate Social Responsibility in India and Abroad: A Comparative Analysis*, Infinite J. (2024), <https://theinfinite.co.in/wp-content/uploads/2025/01/Sep-2024-Corporate-Social-Responsibility-in-India-and-.pdf>.

<sup>23</sup> Companies Act 2006, c. 46, § 172 (UK).

<sup>24</sup> European Commission, *A Renewed EU Strategy 2011-14 for Corporate Social Responsibility*, COM(2011) 681 final.

<sup>25</sup> William Lazonick & Mary O'Sullivan, *Maximizing Shareholder Value: A New Ideology for Corporate Governance*, 29 Economy & Society 13 (2000).

<sup>26</sup> Alien Tort Claims Act, 28 U.S.C. § 1350 (U.S.).

<sup>27</sup> A. Rai, *Corporate Social Responsibility in India and Abroad: A Comparative Analysis*, Infinite J. (2024), <https://theinfinite.co.in/wp-content/uploads/2025/01/Sep-2024-Corporate-Social-Responsibility-in-India-and-.pdf>.

<sup>28</sup> S. Dehama, *Corporate Social Responsibility and Lessons from Some Countries*, Pub. Admin. & L. Rev. (2025), <https://public.scnchub.com/palr/index.php/palr/article/view/243>.

<sup>29</sup> B. Mohapatra, *Exploring Barriers to Corporate Social Responsibility Policy and Practices in India: An Empirical Analysis*, SN Bus. & Econ. (2024), <https://link.springer.com/article/10.1007/s43546-024-00761-z>.

<sup>30</sup> KPMG India, *CSR Reporting Survey 2022*, <https://home.kpmg/in/en/home/insights/2022/12/csr-reporting-survey.html>.

<sup>31</sup> Companies Act, 2013, § 135(5), Explanation Clause (India).

<sup>32</sup> Companies (Amendment) Act, 2019, § 21, Acts of Parliament (India).

<sup>33</sup> R. Misra & A. Anand, *Quantifying CSR Impact on the SDGs in India: Challenges and Solutions*, J. Dev. Policy 16(3), 77–89 (2023).

<sup>34</sup> V.S. Mane, *Understanding the Legal and Regulatory Requirements for CSR in Different Regions: A Comparative Analysis*, ResearchGate (2024).

<sup>35</sup> A. Lamba & P. Aggarwal, *CSR as a Strategic Tool in the Education Sector*, in *Strategy Analytics for Business Resilience* (Springer, 2025).

## VI. ENVIRONMENTAL JURISPRUDENCE AND CSR

India's environmental jurisprudence has played a significant role in reinforcing the ethical and legal expectations from corporate actors, particularly in cases involving ecological degradation. Though not always framed directly under CSR statutes, many Supreme Court decisions have embodied CSR principles by holding corporations accountable for environmental and community harm.

In the Ganga Pollution Case (*M.C. Mehta v. Union of India*), the Supreme Court invoked the "polluter pays" principle and imposed obligations on industries discharging effluents into the Ganga river.<sup>36</sup> Similarly, the Taj Trapezium Case mandated the relocation of polluting industries away from the Taj Mahal to prevent atmospheric degradation.<sup>37</sup> These cases, though based on environmental law, highlighted the corporate duty toward public goods and heritage.

The Vedanta case (*Orissa Mining Corporation v. Union of India*) stands out as a landmark in linking CSR to tribal and ecological rights. The Court upheld the rights of the Dongria Kondh tribe, rejecting Vedanta's mining operations in the ecologically sensitive Niyamgiri Hills.<sup>38</sup> The judgment reinforced the notion that corporate ventures must be aligned with sustainable development and indigenous rights.

Another noteworthy example is the Sterlite Industries case, where judicial action led to the closure of the plant following repeated violations of environmental norms, emphasizing corporate accountability beyond statutory CSR duties.<sup>39</sup> These cases indicate that CSR is not limited to compliance under Section 135, but can also arise from broader public law obligations and judicial activism aimed at protecting the environment and community welfare.

## VII. POLICY RECOMMENDATIONS

To ensure that Corporate Social Responsibility (CSR) in India moves beyond formal compliance and becomes a genuine catalyst for sustainable development, several policy-level reforms are necessary.

First, the government should consider introducing an outcome-based CSR evaluation framework. Rather than focusing solely on the amount spent, regulatory authorities should assess the social impact and community engagement of CSR projects. Metrics such as lives impacted, long-term sustainability, and alignment with Sustainable Development Goals (SDGs) can serve as more meaningful indicators.

Second, there is a pressing need to enhance the capacity of smaller companies and local organizations to participate in the CSR ecosystem. This can be done through dedicated CSR resource centers, tax incentives for joint initiatives, and regional CSR consortiums that allow smaller firms to pool resources for collective impact.

Third, the CSR reporting mechanism needs to be digitized and made more transparent. A centralized CSR data portal, updated annually, should include project descriptions, locations, funds allocated, and outcomes achieved. This would promote accountability, reduce duplication of efforts, and allow the public to monitor initiatives.

Fourth, CSR projects should be integrated into local governance systems such as Panchayati Raj Institutions and Urban Local Bodies. This would ensure better alignment with local needs, enhance community participation, and reduce top-down decision-making by corporate boards unfamiliar with regional issues.

Fifth, the Ministry of Corporate Affairs should encourage innovation in CSR by recognizing and rewarding companies that invest in sustainable technologies, green energy, and climate-resilient infrastructure. Additionally, companies investing in research and development for public goods, such as healthcare innovation or rural water solutions, should be incentivized.

Lastly, establishing third-party impact auditors and strengthening whistleblower protections within CSR operations will help prevent misuse of funds and promote ethical project implementation. These policy interventions can significantly elevate the CSR ecosystem from mere regulatory compliance to meaningful, inclusive, and sustainable nation-building.

## VIII. CONCLUSION

India's experiment with legislated Corporate Social Responsibility stands as a bold and globally unique initiative that redefines the role of the private sector in social development. Through Section 135 of the Companies Act, 2013, and associated policy rules, India has created a structured mechanism to harness corporate resources for public welfare. While this approach has increased financial flows toward developmental causes, it has also exposed limitations in terms of strategic alignment, execution, and accountability.

The alignment of CSR with the United Nations Sustainable Development Goals has laid a robust conceptual foundation, yet the translation of intent into impact remains inconsistent. Many CSR activities are conducted in isolation, lacking strategic depth, community participation, and sustainable outcomes. The predominance of compliance over commitment risks undermining the transformative potential of CSR in India.

However, the landscape is evolving. Judicial pronouncements, environmental jurisprudence, and policy think tanks are increasingly steering the conversation toward more effective and equitable models of corporate contribution. The way forward lies in deepening the integration of CSR into business strategy, embedding accountability frameworks, and fostering collaboration across sectors.

<sup>36</sup> *M.C. Mehta v. Union of India*, AIR 1987 SC 965.

<sup>37</sup> *M.C. Mehta v. Union of India*, AIR 1997 SC 734.

<sup>38</sup> *Orissa Mining Corp. v. Ministry of Env't & Forests*, (2013) 6 SCC 476.

<sup>39</sup> *Vellore Citizens' Welfare Forum v. Union of India*, AIR 1996 SC 2715.

In conclusion, CSR in India is not merely a financial obligation—it is a moral, legal, and developmental commitment. If implemented with vision and integrity, CSR has the power to become a cornerstone of India's sustainable and inclusive growth trajectory, fostering not just corporate goodwill but real social transformation.

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