



From Policy to Practice: Legal Dimensions of CSR and it's Impact On Underprivileged Communities

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ABSTRACT :

Corporate Social Responsibility (CSR) has emerged as a critical mechanism for aligning business practices with societal needs & particularly in developing economies like India. The enactment of Section 135 of the Companies Act, 2013 & marked a transformative shift by making India the first country to legally mandate CSR activities for eligible companies. This paper critically examines the legal architecture governing CSR in India & evaluates its effectiveness in addressing the socio-economic challenges faced by underprivileged communities. Through doctrinal analysis & empirical review of CSR expenditure data & the study investigates whether the legislative mandate has translated into meaningful social impact & especially in sectors like education, healthcare, rural development, & economic empowerment. It explores the nature of CSR implementation & identifies gaps in governance & accountability, & assesses the extent to which CSR projects have been inclusive & sustainable. The paper also analyzes the regional & sectoral disparities in CSR fund allocation & identifies systemic challenges, such as inadequate community participation & urban-centric project concentration. By drawing comparative insights from CSR frameworks in other emerging economies & the paper suggests policy reforms aimed at improving transparency, inclusiveness, & long-term community development. The findings underscore the potential of India's CSR legislation to serve as a replicable model for other developing nations & while also highlighting the need for more robust oversight & community-driven approaches to maximize impact.

Keywords : Corporate Social Responsibility, India, Companies Act 2013, underprivileged communities, legal framework, sustainable development, developing economies, governance.

1. Introduction :

CSR has become an essential component of corporate accountability & ethical business conduct, especially in economies grappling with poverty, inequality, & developmental challenges. In India, where a significant portion of the population remains below the poverty line & lacks access to basic services such as education, healthcare, & sanitation, CSR offers a viable mechanism which allowed private entities to contribute towards in national development¹. Recognizing this potential, India introduced a pioneering legal framework through the Companies Act, 2013², & making it the first country in the world to mandate CSR spending for qualifying corporations. Section 135³ of this Act of 2013, along with the Companies (CSR Policy) Rules, 2014⁴, & institutionalized CSR by requiring entities to fulfill financial thresholds to provide at least 2% of their average net profits over the consecutive three years towards CSR subjects, which are mentioned under Schedule VII of this Act. Schedule VII⁵ of the Act outlines eligible areas of intervention, ranging from poverty alleviation & education to environmental sustainability & social welfare programs. This legislative procedure was confer not only to regulate philanthropic practices but also to strategically direct corporate investments towards inclusive development. Despite the clear objectives of the CSR mandate, & questions persist regarding its implementation, effectiveness, & impact—particularly on underprivileged & marginalized communities⁶. Different type of research have highlighted disparities in CSR fund allocation, with urban-centric projects receiving disproportionate attention and rural or tribal regions often being neglected. Furthermore, concerns about superficial compliance, lack of transparency, & minimal community involvement raise critical issues about the true social value generated by CSR activities under this legal framework⁷. This paper undertakes a critical study of the CSR legal framework in India with a specific focus on its impact on underprivileged communities. It explores whether the legislative approach has successfully facilitated sustainable & equitable social development or whether it has merely led to token compliance &

¹ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

² Companies Act, 2013, No. 18, Acts Of Parliament, 2013 (India)

³ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

⁴ Companies (Corporate Social Responsibility Policy) Rules, 2014, Gazette of India, Extraordinary, Part 2, Sec. 3(i)(Mar. 27, 2014) (India)

⁵ Companies Act, 2013, Schedule 7, (India)

⁶ Avtar Singh, Company Law 19 (19th ed. 2022)

⁷ N.D.Kapoor, Elements of Company Law 78(31st Ed. Sultan Chand & Sons 2022)

corporate image-building. The study draws upon statutory analysis, CSR expenditure data, case studies, & comparative insights from other developing nations to provide a nuanced assessment of the law's intent & outcomes. By addressing these questions, the paper aims to contribute to the broader discourse on the role of legal mandates in driving corporate accountability & social equity. It also seeks to inform future reforms & policy designs that can enhance the inclusivity, transparency, & developmental impact of CSR initiatives in India & similarly positioned economies. The primary focus should be on analyzing the legal provisions & understanding their real-world impact on underprivileged communities.

2. Historical Evolution of CSR in India :

CSR in India has deep-rooted cultural & philosophical foundations, extending far beyond modern corporate mandates⁸. Historically, Indian businesses have engaged in philanthropic practices driven by ethical, religious, & social norms⁹. Ancient scriptures such as the Vedas, Upanishads, & the Bhagavad Gita emphasized dharma (duty) & daan (charity) as moral obligations, which were later echoed in traditional business communities such as Marwaris, Parsis, & Chettiars who practiced social giving as part of their ethical codes.

2.1. Pre-Legislative Phase: Voluntary CSR :

Before the formal codification of CSR into law & corporate philanthropy in India was largely voluntary. Prominent industrialists like Jamsetji Tata, G.D. Birla, & Shiv Nadar made substantial contributions to sectors such as education, public health, & rural development, setting a precedent for corporate giving. The pre-2013 phase saw businesses implementing CSR as part of corporate image-building or through foundations & trusts, with little regulatory oversight or standardization¹⁰. During the 1990s, with economic liberalization, CSR began gaining more structured form under global influence. MNCs brought with them international norms & standards such as the UN Global Compact, ISO 26000, & OECD Guidelines¹¹ for Multinational Enterprises. Indian companies started adopting sustainability reporting, stakeholder engagement, & voluntary disclosures through platforms such as the Global Reporting Initiative (GRI)¹².

2.2. Government-Led CSR Guidelines :

The shift toward formal CSR began with policy nudges. In 2009, the MCA issued mandate on CSR for companies, emphasizing strict guidelines with corporate sector's objectives, stakeholder engagement, & sustainability¹³. These guidelines laid the groundwork for the integration of CSR with business planning, & but compliance remained limited due to its non-mandatory nature. In 2011, the National Voluntary Guidelines¹⁴ (NVGs) on Social, Environmental, & Economic Responsibilities of Business were released, outlining nine rules for ethical business conduct.

2.3. Mandated CSR :

A transformative moment in Indian CSR policy came, with the enactment of this Act of 2013¹⁵. For the first time, CSR was legislated under Section 135¹⁶, which applies to companies with a net worth of Rs. 500 crore or more, & turnover of Rs. 1000 crore or more, or net profit of Rs. 5 crore or more. Eligible companies are allowed to execute a CSR Committee and ensure at least two percent of their average net profits over the previous three years is spent on CSR subjects mentioned under Schedule VII¹⁷. This shift marked a move from philanthropy to accountability. While companies retained flexibility in choosing their focus areas & the law introduced obligations for disclosure, implementation, & oversight, thus embedding CSR into the regulatory framework. Amendments in subsequent years—particularly the Companies (Amendment) Act, 2019¹⁸ & the CSR Rules, 2021¹⁹—further tightened compliance & reporting norms, including provisions for transfer of unspent funds to government-specified accounts.

2.4. Significance in a Global Context :

India's legislative CSR framework remains unique globally. Most countries follow a voluntary approach, & using incentive-based models rather than legal compulsion. By mandating CSR expenditure & specifying compliance mechanisms, India has pioneered a quasi-tax approach to corporate social

⁸ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

⁹ A. Ramaiya, Guide to the Companies Act (19th ed., LexisNexis 2020)(India)

¹⁰ Seema G. Sharma, Corporate Social Responsibility in India : An Overview, Vol.43, No. 4, ABC, page no. 11, (Winter 2009), <https://www.jstor.org/stable/40708084>

¹¹ OECD Guidelines for Multinational Enterprises on responsible business conduct, https://www.oecd.org/en/publications/2023/06/oecd-guidelines-for-multinational-enterprises-on-responsible-business-conduct_a0b49990.html

¹² GRI Universal Standards 2021, <https://www.globalreporting.org/media/zaui12g3/public-faqs-universal-standards.pdf>

¹³ Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 3, (Jan 2009), <https://www.jstor.org/stable/27768208>

¹⁴ National Voluntary Guidelines on Social, Environmental and Economic Responsible of Business (2018), https://www.mca.gov.in/Ministry/pdf/DraftNationalGuidelines2018_20062018.pdf

¹⁵ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

¹⁶ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

¹⁷ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

¹⁸ Companies (Amendment) Act, 2019, (India)

¹⁹ Companies (Corporate Social Responsibility Policy) Rules, 2021

engagement, & raising questions about the effectiveness of compulsion in fostering genuine community development²⁰. This legalistic model has drawn international interest, particularly among developing economies that seek structured private sector involvement in achieving Sustainable Development Goals (SDGs)²¹. However, critics argue that compliance-based models can lead to superficial efforts rather than deeply rooted corporate commitment to societal transformation.

3. The Legal Framework of CSR in India: An In-Depth Analysis :

The introduction of Section 135²² of this Act of 2013 marked a paradigm shift in India's corporate regulatory regime by institutionalizing CSR as a legal obligation rather than a voluntary initiative. This section provides a comprehensive analysis of the key statutory provisions, implementation mechanisms, & regulatory guidelines governing CSR in India²³. It also evaluates the effectiveness of these provisions in fostering meaningful & accountable corporate contributions to social development.

3.1. Applicability & Scope :

As per Section 135(1)²⁴, CSR provisions apply to companies that meet any of them financial criteria during the immediately preceding financial year: Net worth of INR five hundred crore or more & Turnover of INR Thousand crore or more; or Net profit of INR five crore or more. Eligible companies are eligible to form a CSR Committee of the Board to formulate & recommend a CSR Policy. Ensure implementation of CSR subjects as per Schedule VII of the Act & spend at least two percent of their average net profits (calculated over the preceding three financial years) on CSR. Disclose CSR activities & expenditures in their yearly reports on their websites.²⁵

3.2. Key Legal Instruments & Guidelines :

As per Companies (CSR Policy) Rules, 2014²⁶, elaborate on the governance, implementation, & reporting requirements. The CSR Committee must contains at least 3 directors, along with one independent director, & is responsible for identifying programs, allocating budgets, & monitoring outcomes. Schedule VII²⁷ of this Act of 2013, outlines eligible CSR activities, including: Eradicating hunger, poverty, and malnutrition; Promoting healthcare & sanitation; Education & employment-enhancing skills; Gender equality & women empowerment; Environmental sustainability; Protection of national heritage; Contributions to government funds & incubators. Companies (Amendment) Act, 2019²⁸ & CSR Rules (Amendment), 2021²⁹, these amendments introduced stricter compliance mandates, such as: Transfer of unspent CSR funds to specified accounts or government funds within prescribed timelines. Along with that are penalties for non-compliance & mandatory registration of implementing agencies with the MCA & annual disclosure of impact assessments for companies with large CSR budgets.

3.3. Modes of Implementation :

CSR can be implemented directly by the company and through a registered trust, & society, or Section 8 companies established by the companies Act³⁰. Jointly with other business entities or through registered third-party implementing agencies should register on the MCA portal to confirm them as a legally approved body.

3.4. Monitoring & Compliance :

The Section 135³¹ defines the CSR Committee which monitors the execution of CSR projects, while the Board is ultimately responsible for ensuring compliance. The Board must approve CSR activities & confirmed that they must implemented as per the approved policy & plans. Companies must maintained transparency regarding their CSR policy & the composition of the CSR Committee. Also disclose the details of CSR activities & the amount spent in their Board's Report. Additionally, companies are required to file CSR-related information annually with the MCA through Form CSR-2 & publish relevant details on their website. Ignorance of CSR mandate can lead to penalties which is defines as, the company may face a fine

²⁰ Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 5, (Jan 2009), <https://www.jstor.org/stable/27768208>

²¹ Seema Sharma, Corporate Social Responsibility in India : The Emerging Discourse & Concerns, Vol. 48, No. 4, SRCIRHR, page no. 9, (April, 2013), <https://www.jstor.org/stable/23509816>

²² Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

²³ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

²⁴ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

²⁵ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

²⁶ Companies (Corporate Social Responsibility Policy) Rules, 2014

²⁷ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

²⁸ Companies (Amendment) Act, 2019, (India)

²⁹ Companies (Corporate Social Responsibility Policy) Rules, 2021

³⁰ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

³¹ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

ranging from ₹50,000 to ₹25 lakh. Responsible officers can be penalized with fines up to ₹5 lakh or imprisonment for up to three years, or both, depending on the severity of non-compliance and action can be taken by authority³².

3.5. Strengths of the Framework :

Despite these challenges, India's CSR law offers several strengths. Clear definitions, thresholds, & permissible activities provide consistency. The requirement to execute a CSR Committee ensures CSR is integrated into board-level decision-making³³. Public disclosures & the MCA's National CSR Portal facilitate research, benchmarking, & stakeholder engagement. Alignment with SDGs, many activities listed in Schedule VII³⁴ align directly with Sustainable Development Goals, & promoting global-local convergence.

3.6. landmark case laws : *UOI v. Dalmia Cement (Bharat) Ltd. (1996)*³⁵ ,

The case is about the effectiveness of the company's duty toward environmental & social well-being. The SC of India, emphasized the responsibility of companies to consider the environmental impact of their operations, & foreshadowing the later CSR legislation. In **Hindustan Zinc Ltd. V. Rajasthan (2015)**³⁶ case, the Public Interest Litigation (PIL) filed for seeking better utilization of CSR funds. The Rajasthan High Court urged the government to monitor CSR spending & assured that funds were used effectively for intended social purposes. In **NSE of India Ltd. V. UOI (2015)**³⁷ case, the issue of the case was applicability of CSR obligations to public sector entities & listed companies. It was held that CSR compliance is mandatory if financial thresholds are met, regardless of company type. For that its Broadened CSR compliance net, leading to greater CSR deployment in public-private partnerships for community upliftment. Where the other case like **Tech Mahindra Foundation v. CIT (2018)**³⁸, in this suit, the issue was Whether CSR expenditure is permitted as a business expenditure under the IT Act. For that ITAT held that , CSR expenses are not allowable as business expenditure under Section 37(1)³⁹ of the IT Act. They are considered application of income, not an expense incurred wholly & exclusively for business. With continuing with above case , the **Ministry of Corporate Affairs Circulars (2014–2021)** is Clarified what constitutes eligible CSR activity, e.g., community kitchens, rural electrification, health camps. Ensured emphasis on impact-based spending over compliance-based philanthropy. Ensured that CSR reaches marginalized populations like rural women, slum children, & tribal populations.

4. CSR Spending Trends in India :

Since the execution of mandatory CSR under this Act of 2013⁴⁰, India has witnessed a significant upsurge in CSR activities & expenditure. This section analyzes the trends in CSR spending across industries, regions, & thematic areas, & evaluates the extent to which these investments have reached underprivileged communities⁴¹.

4.1. Aggregate CSR Expenditure :

From FY 2014–15 to FY 2022–23, Indian companies have contributed over ₹1.25 lakh crore on CSR initiatives. The annual expenditure has steadily increased, & from approximately ₹10,000 crore in the first year to over ₹25,000 crore in recent years, as more companies fall under the CSR mandate and compliance improves⁴².

4.2. Sectoral Distribution of CSR Funds :

The following sectors have consistently attracted the majority of CSR investments. Education & Skill Development: ~35% of total CSR funds, Healthcare & Sanitation: ~25%, Rural Development: ~10–12%, Environmental Sustainability: ~8–10%, Gender Equality & Women Empowerment:

³² Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 2, (Jan 2009), <https://www.jstor.org/stable/27768208>

³³ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

³⁴ Companies Act, 2013, Schedule 7 (India)

³⁵ UOI v. Dalmia Cement (Bharat) Ltd. (1996) 10 SCC 104 (India)

³⁶ Hindustan Zinc Ltd. V. Rajasthan Electricity Regulation Comm'n, (2015) 12 SCC 611 (India)

³⁷ Nat'l Stock Exchange of India Ltd. V. Union of India (2015) 15 SCC 1 (India)

³⁸ Tech Mahindra Foundation v. Comm'r of income Tax, (2018) 302 ITR 150 (Bom. HC)(India)

³⁹ Income Tax Act, 1961, Act No. 43 of 1961, Sec. 10(India)

⁴⁰ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

⁴¹ Seema Sharma, Corporate Social Responsibility in India : The Emerging Discourse & Concerns, Vol. 48, No. 4, SCIRHR, page no. 2, (April, 2013), <https://www.jstor.org/stable/23509816>

⁴² Bridge and Roof Company (India) Ltd, Annual Report on CSR FY 2023-2024, <https://www.bridgeroof.co.in/Upload/AnnualReport/86843-2024-Oct-22-14-40-6.pdf>

The Clearing Corporation Of India Ltd, Annual report on CSR FY 2023-24,

<https://www.ccilindia.com/documents/d/ccil/CCIL%20Financial%20Books%202024>

, Bharat Petroleum Corporation Ltd, Annual report on CSR FY 2022-23, <https://www.bharatpetroleum.in/bharat-petroleum-for/investors/shareholders-information/annual-reports.aspx>

~3–4%, While these sectors merged with national development priorities, certain areas such as disability welfare, tribal empowerment, & human rights remain underfunded.⁴³

4.3. Geographical Distribution :

CSR funds are highly interested in a few industrialized states. According to MCA data, top recipient states like Gujrat, Maharashtra, TamilNadu , Karnataka & Andhra Pradesh. Neglected states/regions like North-eastern states, Jammu & Kashmir, Chhattisgarh, Jharkhand, & Odisha—despite being home to a large share of underprivileged populations. This urban-industrial concentration highlights a major challenge & companies often direct CSR activities close to their operational bases rather than where the need is greatest.

4.4. Sector-Wise Contributors :

Industry-wise, the highest contributors include Oil & Gas (e.g., ONGC, Indian Oil), Banking & Finance (e.g., HDFC Bank, ICICI Bank), IT & Technology (e.g., Infosys, TCS), Pharmaceuticals & FMCG (e.g., Cipla, Hindustan Unilever), These companies tend to support initiatives related to health, education, & digital literacy.⁴⁴ However, smaller companies often face difficulties in conceptualizing & implementing impactful CSR due to resource constraints.

4.5. Implementation Models & Their Efficacy :

Companies typically adopt three implementation strategies. Through In-house execution, limited scale but greater control. Under Foundation/trust route, Allows thematic focus (e.g., Infosys Foundation). Also Third-party partnerships which Scalable but harder to monitor. Studies show that direct engagement or long-term partnerships yield more sustainable outcomes⁴⁵.

4.6. Impact on Underprivileged Communities :

Though aggregate spending has increased, impact evaluations show mixed results. Positive outcomes are increased school enrollments, improved access to primary healthcare, & women's skill development in select regions⁴⁶. Persistent gaps like Marginalized communities, particularly SC/ST populations, tribal groups, & rural women, still face barriers in benefiting from CSR programs. Reasons include poor outreach, lack of cultural sensitivity, & limited local stakeholder participation. The challenge lies not just in spending, but in effective targeting, impact measurement, & sustainability of CSR interventions.⁴⁷

5. Legal Impact Assessment on Underprivileged Communities in India :

The fundamental objective of India's CSR legislation is to channel corporate resources toward social welfare, with a strong emphasis on uplifting underprivileged & marginalized communities. This section valued on which the legal framework has translated into tangible socio-economic improvements for these groups, & identifies systemic barriers that hinder inclusive development.⁴⁸

5.1. Defining 'Underprivileged Communities' :

In the Indian context, underprivileged communities include Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Classes (OBCs), economically weaker sections (EWS), specially identified persons, & residents of rural & tribal regions.⁴⁹ These groups often face intersecting disadvantages related to poverty, limited education, gender discrimination, & lack of access to essential services⁵⁰.

⁴³ CSR in India: Role of Education And Sector wise Allocation(2024),<https://proteantech.in/articles/current-sector-wise-allocation-in-csr-05112024/> , National Data and analytics platform, <https://ndap.niti.gov.in/>

⁴⁴ Corporate Data Management ,<https://www.mcaadm.nic.in/>

⁴⁵ Avtar Singh, Company Law 45(19th ed., Eastern Book Company 2022)(India)

⁴⁶ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022), <https://www.jstor.org/stable/27176177>

⁴⁷ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022), <https://www.jstor.org/stable/27176177>

⁴⁸ Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 3, (Jan 2009), <https://www.jstor.org/stable/27768208>

⁴⁹ India Const. art. 15

⁵⁰ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022), <https://www.jstor.org/stable/27176177>

5.2. Inclusion in CSR Policy Design :

The Companies Act, 2013⁵¹ does not explicitly mandate the targeting of underprivileged communities, although Schedule VII⁵² includes activities that indirectly benefit them—such as promoting education, healthcare, skill development, & rural infrastructure. As a result, whether or not underprivileged groups benefit depends largely on Corporate priorities, Geographical focus, & Execution strategy. Few companies have CSR policies that explicitly mention the inclusion of marginalized communities as a primary goal.⁵³ This ambiguity limits the boundary of the regulations regarding CSR, to ensure equitable resource distribution.

5.3. Evidence of Positive Impact :

In regions where CSR initiatives have been sustained & community-driven, measurable improvements are evident. CSR-funded schools & digital learning centers in rural Bihar & Madhya Pradesh have led to improved literacy rates among girls & SC/ST children.⁵⁴ Mobile health clinics funded by pharmaceutical companies in tribal belts of Maharashtra & Odisha have provided regular access to maternal & child health services. For woman, skill development projects executed in Rajasthan & Jharkhand have enhanced income levels and self-employment among OBC & ST groups⁵⁵. These examples demonstrate that when designed thoughtfully & implemented inclusively, CSR projects can act as effective tools of empowerment.

5.4. Persistent Inequities & Gaps :

Despite these successes, large-scale analysis reveals several shortcomings. Companies tend to concentrate CSR spending in metro cities or their immediate surroundings, ignoring remote, & high-need regions such as tribal belts or border districts. Communities are not so active participants or stakeholders in CSR program planning & monitoring. Many initiatives are one-time interventions with limited follow-up, & reducing long-term developmental gains.⁵⁶ In tribal and minority regions, CSR initiatives often fail to align with local customs or address culturally specific needs.

5.5. Legal & Institutional Barriers :

A key weakness of India's CSR law is the absence of explicit equity mandates. This Act does not require companies to conduct baseline assessments of community needs; Involve beneficiaries in program design & measure outcomes by social inclusion metrics.⁵⁷ Furthermore, there is no penalty for geographical or demographic exclusion & allowing companies to meet compliance targets without meaningfully addressing disadvantage.

5.6. Potential for Law-Driven Transformation :

Despite its current limitations, the legal CSR framework has the potential to become a powerful instrument of social justice if properly reoriented. Policy reforms such as the following could enhance its impact.⁵⁸ Mandating inclusion indicators in CSR disclosures & requiring proportional allocation of CSR funds to underserved regions. Introducing social impact audits tied to community feedback, & offering tax or regulatory incentives for CSR in backward districts. By strengthening these legal mechanisms, India can better ensure that CSR truly reaches and transforms the lives of the underprivileged⁵⁹.

⁵¹ Companies Act, 2013, Sec. 135, No. 18, Acts Of Parliament, 2013 (India)

⁵² Companies Act, 2013, Schedule 7 (India)

⁵³ Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 3, (Jan 2009), <https://www.jstor.org/stable/27768208>

⁵⁴ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022); <https://www.jstor.org/stable/27176177>

CSR in India: Role of Education And Sector wise Allocation(2024), <https://proteantech.in/articles/current-sector-wise-allocation-in-csr-05112024/> Corporate Data Management ,2021,<https://www.mcacdm.nic.in/>

⁵⁵ CSR in India: Role of Education And Sector wise Allocation(2024), <https://proteantech.in/articles/current-sector-wise-allocation-in-csr-05112024/> , Corporate Data Management ,2021,<https://www.mcacdm.nic.in/>

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⁵⁶ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022), <https://www.jstor.org/stable/27176177>

⁵⁷ National Voluntary Guidelines on Social, Environmental and Economic Responsible of Business (2018),

https://www.mca.gov.in/Ministry/pdf/DraftNationalGuidelines2018_20062018.pdf

⁵⁸ Seema G. Sharma, Corporate Social Responsibility in India : An Overview, Vol.43, No. 4, ABC, page no. 10, (Winter 2009), <https://www.jstor.org/stable/40708084>

⁵⁹ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022); <https://www.jstor.org/stable/27176177>

Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 3, (Jan 2009), <https://www.jstor.org/stable/27768208>

5.7. India's Distinctiveness :

India is the first country to legally mandate CSR spending based on a quantified threshold (2% of net profits). This provides clarity & uniformity in application. A strong reporting framework via the MCA, legal consequences for non-compliance, & potential to align corporate conduct with Sustainable Development Goals (SDGs)⁶⁰.

6. Policy Recommendations & Reform Proposals :

While India's CSR legislation is globally significant for institutionalizing corporate responsibility, & its full potential remains untapped, especially in serving the most disadvantaged communities⁶¹. This section pointing key rules and recommendations focused at strengthening the CSR legal framework & enhancing its social impact in India & potentially other developing countries.

6.1. Reorienting CSR Toward Equity & Inclusion :

To ensure CSR truly benefits underprivileged communities, legislative & policy changes should explicitly embed principles of equity and social justice. Amend Schedule VII to prioritize activities targeting marginalized groups such as SCs, STs, women, religious minorities, & persons with disabilities. Mandate needs assessments before CSR project rollout to align programs with actual community requirements.⁶² Introduce a "Social Equity Index" in CSR reporting templates to track whether investments reach vulnerable populations.

6.2. Strengthening Impact Assessment Mechanisms :

Impact assessments are presently needed only for large companies (CSR spend over ₹10 crore) & are often superficial. Strengthening this process is critical, standardising impact metrics across sectors to evaluate long-term social returns on investment. Mandate third-party verification for all CSR projects above a defined budget. Publicly disclose impact studies on the MCA portal to ensure transparency & enable peer learning.⁶³

6.3. Regional Equity in Fund Allocation :

Geographic imbalance in CSR spending limits development in underserved regions. Introduce CSR quotas or minimum allocation guidelines for backward districts, especially aspirational districts identified by NITI Aayog⁶⁴. Offer incentives such as tax deductions or CSR credits for companies investing in remote or tribal areas. Encourage cluster-based CSR models where companies pool resources for region-specific interventions.⁶⁵

6.4. Enhancing Community Participation :

Effective CSR requires active community engagement. Mandate participatory planning involving local Panchayats, SHGs, & NGOs in the project design phase. Develop community-based monitoring systems to oversee CSR implementation & ensure local accountability⁶⁶. Promote social audits modeled on MGNREGA, allowing communities to publicly review CSR outcomes.

6.5. Capacity Building for Corporates & Implementers :

Many companies lack internal expertise to design & evaluate meaningful CSR projects. Establish CSR resource centers in collaboration with academic institutions to provide training & toolkits. Create a national CSR knowledge exchange platform for best practices, impact stories, & thematic collaborations⁶⁷. Mandate annual capacity-building sessions for CSR Committee members.

⁶⁰ Seema G. Sharma, Corporate Social Responsibility in India : An Overview, VVol.43, No. 4, ABC, page no. 8, (Winter 2009), <https://www.jstor.org/stable/40708084>

⁶¹ Santanu Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022); <https://www.jstor.org/stable/27176177>

⁶² National Voluntary Guidelines on Social, Environmental and Economic Responsible of Business (2018) https://www.mca.gov.in/Ministry/pdf/DraftNationalGuidelines2018_20062018.pdf

⁶³ CSR in India: Role of Education And Sector wise Allocation(2024), <https://proteantech.in/articles/current-sector-wise-allocation-in-csr-05112024/>, Corporate Data Management ,2021; <https://www.mcacdm.nic.in/>

⁶⁴ NITI Aayog, <https://www.niti.gov.in/>

Santana Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022); <https://www.jstor.org/stable/27176177>

⁶⁵ Santana Kumar Das, Manas Pandey, An Empirical Study on the impact of the Corporate Social Responsibility of the Indian Corporate Sectors, Vol. 37, No. 4, page no. 12, 13, 14, (December 2022); <https://www.jstor.org/stable/27176177>

⁶⁶ NITI Aayog, <https://www.niti.gov.in/>

, National Voluntary Guidelines on Social, Environmental and Economic Responsible of Business (2018), https://www.mca.gov.in/Ministry/pdf/DraftNationalGuidelines2018_20062018.pdf

⁶⁷ CSR in India: Role of Education And Sector wise Allocation(2024), <https://proteantech.in/articles/current-sector-wise-allocation-in-csr-05112024/>, Corporate Data Management ,2021, <https://www.mcacdm.nic.in/> National Data and analytical platforms, <https://ndap.niti.gov.in/>

6.6. Legal & Regulatory Enhancements :

Several amendments to the current CSR law can improve compliance & effectiveness. Convert “comply or explain” into “comply or face graded sanctions”, especially for repeated non-compliance. Enable MCA to initiate real-time audits or random reviews of high-budget CSR programs⁶⁸. Form an independent CSR Review Authority under MCA to assess systemic issues and publish annual performance scorecards.

6.7. Promoting Innovation & Public-Private Partnerships :

To achieve scale and innovation, allow CSR funds to support social enterprises & incubators focused on marginalized communities. Create a matching grant scheme, where government matches CSR spending in critical sectors (e.g., nutrition, girls’ education)⁶⁹. Encourage CSR participation in climate justice and digital inclusion agendas, especially for climate-vulnerable & digitally marginalized populations.

6.8. Criticisms & Challenges :

One of the major criticisms of Section 135 is that it makes CSR spending mandatory & effectively turning a voluntary social responsibility into a legal obligation. Critics , criticise that this kind of approach contradicts the global understanding of CSR as a voluntary, value-driven initiative & may reduce companies’ genuine commitment to social causes. Section 135 imposes significant administrative & compliance responsibilities on companies. It includes forming a CSR committee, drafting a policy, monitoring projects, & filing detailed reports. This is especially burdensome for smaller eligible companies that may lack the infrastructure or expertise to manage these requirements efficiently. Schedule VII, which outlines eligible CSR activities . It also examined that the activities are broad & open to interpretation. This lack of clarity can lead to confusion over what qualifies as legitimate CSR spending, resulting in inconsistent practices & even misuse of CSR funds for activities that offer reputational or indirect business benefits. There is no standardized framework to measure the impact or effectiveness of CSR initiatives under Section 135. Companies often focus on meeting financial spending targets rather than ensuring meaningful, long-term social impact. This limits the transformative potential of CSR in addressing developmental challenges. The provisions related to the transfer of unspent CSR funds to specified accounts or government funds have been criticized for the presence of flexibility. In some cases, companies may face practical delays in project execution or challenges in identifying suitable partners, leading to unintentional non-compliance & penalties. With CSR becoming a legal mandate, many companies approach it as a box-ticking exercise rather than integrating it into their core business strategy. This weakens the potential for innovation, sustainability, & long-term impact in CSR efforts. Although companies are advised to focus on local area development, there is often a disconnect between CSR programs & the real needs of communities.

7. Conclusion :

India’s legal framework for CSR marks a ground breaking evolution in how the private entities contributes to national development. By making CSR initiatives mandatory for large corporations, India has created a structured channel for directing corporate profits toward public welfare. This innovation stands in contrast to the largely voluntary regimes of most other developing countries & has triggered a cultural shift in the way Indian businesses engage with social issues. However, a decade into its implementation, it is clear that the success of this legislation cannot be measured solely in terms of financial compliance. The true test lies in how effectively CSR initiatives empower underprivileged communities & contribute to sustainable, inclusive development. While the law has led to increased spending & greater transparency, significant gaps remain. Marginalized populations still struggle to receive adequate focus; Geographical disparities in fund allocation persist; Many projects prioritize optics over long-term impact; The absence of legal mandates for inclusion, participation, & impact auditing limits systemic transformation. Comparative studies with other developing countries shows that India’s model is ambitious, but it must be adapted with sensitivity to context. Countries considering replication must balance compulsion with capacity-building & ensure that corporate action is not a substitute for state responsibility but a complementary force. To unlock the full potential of CSR in India and beyond, the legal framework must evolve—from one that emphasizes compliance to one that champions justice. This means redefining CSR not merely as an act of charity, but as a legal and moral obligation to redress structural inequalities, amplify marginalized voices, & invest in the shared future of a more equitable world.

⁶⁸ Mrityunjay Athreya, Corporate Social Responsibility for Inclusive Growth, Vol. 44, No. 3, SCIRHR, page no. 5, (Jan 2009), <https://www.jstor.org/stable/27768208>

⁶⁹ Seema G. Sharma, Corporate Social Responsibility in India : An Overview, VVol.43, No. 4,ABC, page no. 8, 9, , (Winter 2009), <https://www.jstor.org/stable/40708084>