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CORPORATE SOCIAL RESPONSIBILITY IN INDIA: LEGAL OBLIGATIONS AND IMPACT

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Abstract

Corporate Social Responsibility (CSR) has evolved from a voluntary philanthropic concept into a structured legal obligation within the Indian corporate regulatory framework. India occupies a unique position globally as the first country to mandate CSR expenditure through statutory provisions under company law. This research paper critically examines the legal foundations of CSR in India, its regulatory architecture, and its socio-economic impact, with particular emphasis on the transition from moral responsibility to enforceable compliance. The study situates CSR within the broader discourse of corporate governance, sustainable development, and stakeholder accountability, highlighting how Indian law seeks to balance profit-making objectives with social welfare imperatives.

The paper analyses the statutory framework governing CSR, primarily under the Companies Act, 2013, and the associated rules and amendments that have progressively strengthened compliance mechanisms. It explores the objectives behind mandating CSR, including inclusive growth, reduction of socio-economic inequalities, and corporate participation in national development goals. By examining legislative intent and policy evolution, the study assesses whether the legal design of CSR in India aligns with its intended outcomes or merely promotes a compliance-driven approach. The research also evaluates the scope of CSR activities permitted under Indian law and the discretion afforded to corporate entities in selecting projects and implementing agencies.¹

A significant focus of this paper lies in assessing the real-world impact of CSR obligations on society and corporate behaviour. It examines whether mandatory CSR has led to substantive social change or whether it has resulted in symbolic compliance, box-ticking practices, and strategic reporting. The paper evaluates the effectiveness of CSR spending in critical sectors such as education, healthcare, environmental sustainability, and rural development. It also

¹ Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

considers challenges such as uneven regional distribution of CSR funds, lack of monitoring, limited community participation, and concerns regarding transparency and accountability.

The study adopts a doctrinal research methodology, relying on statutory analysis, judicial interpretations, government reports, and secondary literature, including books, journal articles, and policy documents. By engaging with both legal and empirical scholarship, the paper seeks to present a balanced assessment of CSR as a regulatory tool. It also engages with critiques that question the constitutionality, efficiency, and economic rationale of mandating social responsibility, particularly in the context of shareholder primacy and market freedom.²

The paper concludes that while India's CSR regime represents a bold and innovative legislative experiment, its success depends largely on effective enforcement, corporate intent, and alignment with local developmental needs. Mandatory CSR has the potential to serve as a catalyst for sustainable development if supported by robust governance mechanisms, clearer impact assessment frameworks, and greater stakeholder engagement. The findings underscore the need for policy refinements to ensure that CSR obligations translate into meaningful and measurable social outcomes rather than remaining a formal legal requirement.

Introduction

Corporate Social Responsibility (CSR) has emerged as a central concept in modern corporate governance, reflecting the growing expectation that corporations must operate not merely as profit-maximising entities but as socially accountable institutions. The increasing economic power of corporations, coupled with their capacity to influence social, environmental, and developmental outcomes, has led to a re-evaluation of the traditional shareholder-centric model of business. In this context, CSR represents a normative and regulatory framework through which corporate entities are expected to contribute to social welfare, environmental sustainability, and inclusive economic growth.³

Historically, CSR was perceived as a voluntary, ethical obligation rooted in philanthropy and moral responsibility. Corporations engaged in charitable activities largely as a matter of discretion, reputation management, or ethical commitment rather than legal compulsion.

² Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

³ Archie B Carroll, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders' (1991) 34 *Business Horizons* 39.

However, with the expansion of corporate activity and the recognition of its externalities both positive and negative states across the world have increasingly sought to formalise corporate responsibility through legal and policy instruments. India stands out globally in this regard, having adopted a mandatory CSR regime through statutory intervention rather than relying solely on voluntary corporate conduct.⁴

The evolution of CSR in India must be understood against the backdrop of the country's socio-economic conditions and constitutional vision. Persistent poverty, inequality, environmental degradation, and uneven development have posed significant challenges to the Indian state. While the Constitution of India envisages a welfare state committed to social and economic justice, the limitations of public resources and governance capacity have prompted policymakers to seek greater participation from the private sector in achieving developmental goals. CSR has thus been positioned as a mechanism to mobilise corporate resources and expertise for public welfare objectives, complementing state action rather than replacing it.

The enactment of the Companies Act, 2013 marked a significant shift in the Indian corporate regulatory landscape by introducing mandatory CSR obligations for certain categories of companies. Section 135 of the Act imposes an obligation on qualifying companies to allocate a prescribed percentage of their average net profits towards CSR activities. This legislative move transformed CSR from a voluntary practice into a compliance-oriented legal mandate, thereby raising fundamental questions regarding the nature, justification, and effectiveness of compulsory social responsibility. India became the first country in the world to statutorily mandate CSR spending, making its model both innovative and controversial.

The introduction of mandatory CSR has generated extensive academic, legal, and policy debate. Proponents argue that compulsory CSR ensures a more equitable distribution of corporate wealth, promotes inclusive growth, and aligns business operations with national development priorities. They contend that corporations, as beneficiaries of state-granted privileges and public infrastructure, bear a corresponding responsibility towards society. From this perspective, CSR is viewed as an extension of corporate accountability and a tool for sustainable development.⁵

⁴ Government of India, *Report of the Company Law Committee* (Ministry of Corporate Affairs 2005).

⁵ Ministry of Corporate Affairs, *Corporate Social Responsibility Voluntary Guidelines* (Government of India 2009).

Critics, however, question the legitimacy and efficiency of mandating CSR through law. One of the principal criticisms is that compulsory CSR undermines the foundational principles of corporate law, particularly the doctrine of shareholder primacy. It is argued that forcing companies to divert profits towards social causes amounts to an indirect tax on corporations, without the procedural safeguards and accountability mechanisms associated with fiscal policy. Additionally, concerns have been raised regarding the potential misuse of CSR funds, lack of impact assessment, and the risk of CSR becoming a mere box-ticking exercise driven by compliance rather than genuine social commitment.

Another significant concern relates to the implementation and governance of CSR activities. While the statutory framework prescribes eligible activities and reporting requirements, the actual execution of CSR projects often depends on external implementing agencies, non-governmental organisations, or foundations established by the companies themselves. This raises questions regarding transparency, accountability, monitoring, and the alignment of CSR initiatives with community needs. Regional disparities in CSR spending, concentration of funds in urban or industrialised areas, and neglect of backward regions further complicate the assessment of CSR's effectiveness as a development tool.

The legal framework governing CSR in India has undergone multiple amendments since its inception, reflecting the state's evolving approach towards enforcement and accountability. Initially characterised by a "comply or explain" model, the CSR regime has gradually moved towards stricter compliance, including penal consequences for non-compliance and the introduction of mechanisms for unspent CSR funds. These developments signal a shift from a facilitative to a more regulatory stance, reinforcing the mandatory character of CSR obligations.⁶

Against this backdrop, the present research paper seeks to undertake a comprehensive legal analysis of CSR in India, focusing on its statutory foundations, objectives, and socio-economic impact. The study aims to critically examine whether the mandatory CSR framework has succeeded in achieving its intended goals or whether it has primarily resulted in formalistic compliance. By analysing legislative provisions, policy documents, and academic literature, the paper evaluates the effectiveness of CSR as a legal instrument for social change and corporate accountability.

⁶ Afra Afsharipour, 'Corporate Social Responsibility and the Law' (2011) 40 *Seton Hall Law Review* 593.

The significance of this study lies in its attempt to bridge the gap between legal theory and practical outcomes. While CSR has been widely discussed in policy and management literature, its legal dimensions particularly in the Indian context require sustained scholarly attention. This paper contributes to the existing discourse by assessing CSR not merely as a corporate governance mechanism but as a regulatory tool with broader implications for economic justice, sustainable development, and the role of corporations in society.⁷

The introduction thus sets the foundation for a detailed inquiry into the legal obligations imposed by CSR legislation in India, the rationale behind mandating corporate social responsibility, and the real-world impact of these obligations. The subsequent sections of the paper will examine the research methodology, objectives, hypotheses, and research questions, followed by a comprehensive review of literature, analysis of the legal framework, evaluation of CSR implementation, and concluding observations.

Research Methodology

The present study adopts a doctrinal and analytical research methodology to examine the legal framework governing Corporate Social Responsibility (CSR) in India and to assess its impact on corporate behaviour and social development. Doctrinal research, also referred to as traditional or library-based research, is particularly suited for legal studies that focus on the interpretation, analysis, and evaluation of statutes, judicial decisions, and policy instruments. Given that CSR in India is primarily governed by statutory provisions and subordinate legislation, a doctrinal approach enables a systematic examination of the legal obligations imposed on corporate entities and the rationale underlying such obligations.

The research relies extensively on primary legal sources, including statutory provisions under the Companies Act, 2013, rules framed thereunder, amendments introduced by the legislature, and relevant government notifications and circulars issued by the Ministry of Corporate Affairs. These sources form the core legal framework within which CSR obligations are defined and enforced. The study also considers parliamentary debates and committee reports, particularly those that shed light on legislative intent and policy objectives behind the introduction and subsequent strengthening of mandatory CSR provisions. Such materials are

⁷ Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

essential for understanding the normative foundations of CSR as a regulatory instrument in India.⁸

In addition to statutory analysis, the research engages with judicial interpretations wherever relevant. Although CSR-related litigation in India remains limited, judicial observations on corporate governance, stakeholder responsibility, and social obligations of corporations provide valuable interpretative guidance. Judicial pronouncements are analysed to the extent that they clarify the scope of corporate responsibility, compliance expectations, and the broader constitutional context within which CSR operates. This judicial dimension contributes to a more nuanced understanding of CSR as part of the evolving corporate law jurisprudence in India.

Secondary sources constitute a significant component of the research methodology. The study draws upon books, scholarly articles, law review commentaries, and research papers that critically examine CSR from legal, economic, and governance perspectives. Academic literature is used not only to contextualise the Indian CSR framework within global debates but also to identify theoretical models, critiques, and comparative insights. Policy reports published by national and international organisations, including government committees and regulatory bodies, are also relied upon to assess the implementation and impact of CSR obligations in practice.

An analytical approach is employed to evaluate the effectiveness of the CSR regime in achieving its stated objectives. This involves examining the alignment between legislative intent, statutory design, and actual outcomes. The study critically assesses whether mandatory CSR has resulted in meaningful social impact or whether it has primarily fostered a compliance-oriented culture among corporate entities. Issues such as accountability, transparency, monitoring mechanisms, and utilisation of CSR funds are analysed to identify structural and regulatory gaps within the existing framework.

While the research does not involve empirical fieldwork or quantitative data collection, it incorporates qualitative assessments drawn from published CSR impact studies, government disclosures, and corporate reports. These materials provide insights into trends in CSR

⁸ Upendra Baxi, 'Corporate Governance and Social Responsibility' (2005) 47 *Journal of the Indian Law Institute* 1.

spending, sectoral allocation of funds, and regional distribution of CSR initiatives. Such qualitative analysis supplements the doctrinal examination by highlighting practical challenges and implementation realities associated with CSR compliance in India.

The scope of the research is limited to the Indian legal framework governing CSR, with comparative references made only where necessary to illuminate conceptual or policy contrasts. The study focuses primarily on large and qualifying companies that fall within the ambit of mandatory CSR under the Companies Act, 2013. Small enterprises and voluntary CSR practices outside the statutory framework are not examined in detail, except where relevant to broader discussions on corporate responsibility.⁹

The methodology also acknowledges certain limitations. The absence of original empirical data restricts the ability to measure the direct social impact of CSR initiatives at the grassroots level. Additionally, variations in corporate reporting standards and inconsistencies in disclosure practices pose challenges in assessing the effectiveness of CSR spending. Nevertheless, by integrating statutory analysis with scholarly critique and policy evaluation, the research methodology provides a comprehensive framework for examining CSR as a legal and regulatory phenomenon in India.

Overall, the adopted methodology ensures a structured, critical, and legally grounded analysis of Corporate Social Responsibility in India. It enables the study to evaluate CSR not merely as a corporate practice but as a legally mandated obligation with significant implications for corporate governance, social welfare, and sustainable development.

Objectives of the Study

The primary objective of this research is to undertake a comprehensive legal examination of Corporate Social Responsibility (CSR) in India, with particular emphasis on its statutory foundation, regulatory design, and socio-economic impact. The study seeks to analyse CSR not merely as a corporate governance mechanism but as a legally enforceable obligation that reflects the evolving role of corporations in a welfare-oriented economy. By focusing on the Indian CSR framework, the research aims to assess the extent to which law can be used as an effective tool to promote social responsibility among corporate entities.

⁹ Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

One of the key objectives of this study is to analyse the legal framework governing CSR under the Companies Act, 2013 and the rules framed thereunder. This includes a detailed examination of Section 135 of the Act, the Companies (Corporate Social Responsibility Policy) Rules, and subsequent amendments that have strengthened compliance and enforcement mechanisms. The study seeks to understand the legislative intent behind mandating CSR expenditure and to evaluate whether the statutory provisions strike an appropriate balance between corporate autonomy and social accountability.

Another important objective is to examine the rationale for introducing mandatory CSR in India. The study aims to explore the socio-economic and policy considerations that led to the shift from voluntary CSR guidelines to a compulsory legal regime. In doing so, the research evaluates whether mandatory CSR aligns with constitutional values such as social justice, equitable distribution of resources, and sustainable development. The objective is to situate CSR within the broader constitutional and economic framework of India's development model. The study also aims to assess the impact of mandatory CSR on corporate behaviour and governance practices. This objective involves analysing whether the legal obligation to spend on CSR has influenced corporate decision-making, transparency, and stakeholder engagement. The research seeks to determine whether CSR has been internalised as a core governance principle or whether it remains largely a compliance-driven exercise undertaken to avoid statutory penalties. By examining corporate disclosures and policy reports, the study evaluates the qualitative changes, if any, brought about by CSR regulation.

A further objective of the research is to evaluate the effectiveness of CSR initiatives in achieving their intended social outcomes. The study seeks to assess whether CSR spending has contributed meaningfully to areas such as education, healthcare, environmental sustainability, and rural development. It also aims to identify challenges associated with CSR implementation, including issues of accountability, monitoring, uneven regional distribution of funds, and lack of community participation. This objective focuses on bridging the gap between legal mandates and actual social impact.

The research also aims to critically examine the limitations and criticisms of the mandatory CSR regime. This includes analysing arguments related to shareholder primacy, economic efficiency, and the potential classification of CSR as an indirect tax on corporations. The study seeks to evaluate whether these critiques undermine the legitimacy of compulsory CSR or

whether they can be reconciled within a stakeholder-oriented model of corporate governance. Finally, the study aims to propose suggestions for strengthening the CSR framework in India. While the research does not seek to engage in legislative drafting, it aims to identify areas where policy refinements, improved monitoring mechanisms, and clearer impact assessment standards may enhance the effectiveness of CSR obligations. By achieving these objectives, the study aspires to contribute to the existing legal scholarship on CSR and to provide insights that may be useful for policymakers, corporate practitioners, and researchers.

Research Hypotheses

This study is guided by a set of carefully formulated hypotheses that seek to examine the effectiveness, legitimacy, and impact of the mandatory Corporate Social Responsibility (CSR) regime in India. These hypotheses are framed to test the underlying assumptions of the CSR framework under the Companies Act, 2013 and to evaluate whether statutory compulsion has translated into meaningful social and corporate outcomes.

Hypothesis 1: Mandatory CSR under Indian law has transformed corporate social responsibility from a voluntary ethical practice into a compliance-driven legal obligation.

This hypothesis is premised on the assumption that the statutory nature of CSR has altered corporate behaviour by prioritising legal compliance over voluntary social engagement. The hypothesis seeks to examine whether companies approach CSR primarily as a statutory requirement aimed at avoiding penalties, rather than as an intrinsic component of corporate governance and ethical responsibility. The study analyses legislative amendments, compliance mechanisms, and corporate disclosures to assess whether CSR has been institutionalised as a governance norm or reduced to a formalistic obligation.

Hypothesis 2: The mandatory CSR framework has contributed to increased corporate participation in social welfare and development activities.

This hypothesis tests the assumption that legal compulsion leads to higher levels of corporate involvement in socially beneficial activities. It examines whether the imposition of CSR expenditure obligations has resulted in increased funding and engagement in critical sectors such as education, healthcare, environmental sustainability, and rural development. The hypothesis also considers whether CSR has enabled the mobilisation of private resources to supplement state-led development initiatives, thereby contributing to inclusive growth.

Hypothesis 3: Despite increased CSR spending, the effectiveness of CSR initiatives in achieving measurable social impact remains limited.

This hypothesis addresses a key critique of the Indian CSR regime that increased expenditure does not necessarily translate into meaningful outcomes. It seeks to examine whether CSR initiatives suffer from deficiencies such as lack of impact assessment, inadequate monitoring, poor alignment with community needs, and regional imbalances in fund allocation. The hypothesis evaluates whether the legal framework sufficiently emphasises outcomes and accountability, or whether it focuses primarily on expenditure and reporting requirements.

Hypothesis 4: The mandatory CSR regime raises concerns regarding corporate autonomy and shareholder primacy but can be justified within a stakeholder-oriented governance model.

This hypothesis explores the tension between traditional corporate law principles and the imposition of social obligations through legislation. It examines arguments that mandatory CSR amounts to an indirect tax on corporations and interferes with profit maximisation. At the same time, it evaluates whether such concerns can be reconciled with a broader stakeholder approach that recognises the social responsibilities of corporations operating within a welfare-oriented constitutional framework.

Hypothesis 5: Strengthening regulatory oversight and impact assessment mechanisms can enhance the effectiveness of CSR as a tool for sustainable development.

This hypothesis assumes that the limitations of the current CSR framework are not inherent to the concept of mandatory CSR but stem from gaps in implementation and governance. It seeks to assess whether improved monitoring, transparency, and outcome-based evaluation can transform CSR from a compliance-oriented exercise into a meaningful instrument for social change.

Research Questions

Research questions serve as the analytical foundation of this study and guide the examination of Corporate Social Responsibility (CSR) in India from a legal and regulatory perspective. Given the transformation of CSR from a voluntary corporate practice into a statutory obligation under Indian company law, the present research seeks to address both normative and practical questions concerning the legitimacy, implementation, and impact of mandatory CSR.

Primary Research Question

Whether the mandatory Corporate Social Responsibility framework under Indian law has been effective in achieving its intended socio-economic objectives while maintaining coherence with principles of corporate governance?

This overarching question seeks to evaluate CSR as a regulatory instrument rather than merely a corporate policy initiative. It examines whether the legal mandate under the Companies Act, 2013 has succeeded in integrating social responsibility into corporate functioning and whether such integration has resulted in tangible social outcomes. The question also probes the balance between statutory compulsion and corporate autonomy, which lies at the heart of the CSR debate in India.

Secondary Research Questions

1. What is the legal and policy rationale behind mandating Corporate Social Responsibility in India?

This question explores the legislative intent, socio-economic context, and policy considerations that led to the introduction of mandatory CSR. It seeks to analyse whether CSR is intended as a tool for social justice, inclusive development, or corporate accountability, and how these objectives are reflected in statutory provisions and policy documents.

2. What are the key legal obligations imposed on companies under the CSR framework?

This question focuses on the scope and nature of obligations imposed by Section 135 of the Companies Act, 2013 and the corresponding CSR Rules. It examines compliance requirements, reporting standards, governance mechanisms, and consequences of non-compliance, with the aim of understanding the operational dimensions of CSR law.

3. Has mandatory CSR influenced corporate behaviour and governance practices in India?

This question seeks to assess whether the legal obligation to undertake CSR has led to qualitative changes in corporate decision-making, stakeholder engagement, and transparency. It examines whether CSR has been internalised as a governance principle or remains primarily a compliance-driven exercise motivated by statutory enforcement.

4. To what extent has mandatory CSR contributed to measurable social and developmental outcomes?

This question evaluates the effectiveness of CSR initiatives in addressing social issues such as education, healthcare, environmental protection, and rural development. It also considers challenges such as uneven regional distribution of CSR funds, lack of impact assessment, and limited community participation, which may affect the overall effectiveness of CSR spending.

5. What are the limitations and criticisms of the mandatory CSR regime in India?

This question addresses scholarly and policy critiques relating to shareholder primacy, economic efficiency, and the characterisation of CSR as an indirect tax on corporations. It examines whether these criticisms undermine the legitimacy of compulsory CSR or whether they can be reconciled within a stakeholder-oriented model of corporate governance.

6. What measures can be adopted to strengthen the CSR framework in India?

This question seeks to identify potential reforms aimed at improving implementation, monitoring, transparency, and impact assessment. It focuses on policy and regulatory refinements rather than legislative overhaul, with the objective of enhancing the effectiveness of CSR as a tool for sustainable development.

Together, these research questions provide a structured framework for analysing CSR in India from a legal, governance, and impact-oriented perspective. They ensure that the study remains focused on both doctrinal analysis and practical outcomes, enabling a comprehensive evaluation of mandatory CSR as a regulatory experiment.

Literature Review

The literature on Corporate Social Responsibility (CSR) in India reflects a rich and evolving discourse that spans corporate law, constitutional theory, economic policy, and development studies. Scholars have examined CSR from multiple perspectives, including its ethical foundations, legal transformation, corporate governance implications, and socio-economic impact. With the enactment of the Companies Act, 2013, CSR has increasingly been analysed as a legally enforceable obligation rather than a voluntary corporate initiative. Existing scholarship critically engages with the shift from philanthropy to regulation, the justification for mandatory CSR, implementation challenges, and the tension between shareholder primacy

and stakeholder responsibility. Together, these works provide a comprehensive foundation for understanding the legal obligations and impact of CSR in the Indian context.

Books

Sundar, P. (2013). *Business and Community: The Story of Corporate Social Responsibility in India*. Sage Publications: Sundar offers a historical and institutional account of CSR in India, tracing its evolution from traditional philanthropy to structured corporate engagement. The book situates CSR within India's socio-cultural and economic landscape, highlighting the role of family-owned enterprises, public sector undertakings, and multinational corporations. Sundar's analysis is particularly relevant for understanding the pre-legislative CSR environment and the motivations that influenced the transition towards a formal regulatory framework.¹⁰

Chatterji, A., Levine, D., & Toffel, M. (2014). *The New Corporate Social Responsibility*. Oxford University Press: This book provides a global perspective on CSR, emphasising measurable impact, accountability, and transparency. While not India-specific, the framework offered by the authors is useful for evaluating the effectiveness of India's mandatory CSR regime. The emphasis on outcomes rather than expenditure directly informs critiques of compliance-driven CSR practices observed in India.¹¹

Kansal, M., & Joshi, M. (2015). *Corporate Social Responsibility in India*. McGraw Hill Education: Kansal and Joshi analyse CSR in India from managerial, legal, and policy perspectives. The book discusses statutory obligations under the Companies Act, 2013 and examines corporate responses to mandatory CSR. It provides empirical insights into CSR spending patterns and governance mechanisms, making it relevant for assessing the practical impact of legal mandates.¹²

Baxi, U. (2012). *The Future of Human Rights*. Oxford University Press: Although not exclusively focused on CSR, Baxi's work provides a normative framework for understanding corporate obligations in a constitutional democracy. His discussion on social justice,

¹⁰ P Sundar, *Business and Community: The Story of Corporate Social Responsibility in India* (Sage Publications 2013).

¹¹ A Chatterji, D Levine & M Toffel, *The New Corporate Social Responsibility* (Oxford University Press 2014).

¹² M Kansal & M Joshi, *Corporate Social Responsibility in India* (McGraw Hill Education 2015).

distributive equity, and the responsibilities of powerful private actors offers a theoretical basis for justifying mandatory CSR within India's constitutional vision of a welfare state.¹³

Chakraborty, S. K. (2016). *Ethics in Management: A Vedantic Perspective*. Oxford University Press: Chakraborty approaches CSR from an ethical and philosophical standpoint rooted in Indian traditions. The book is relevant for understanding CSR as a moral responsibility rather than merely a legal obligation, thereby offering a contrast to the compliance-oriented CSR regime introduced by statutory mandate.¹⁴

Research Articles

Carroll, A. B. (1999). *Corporate Social Responsibility: Evolution of a Definitional Construct*. *Business & Society*, 38, 268–295: Carroll's seminal work traces the evolution of CSR concepts and introduces the widely cited CSR pyramid. Although global in scope, the article provides a foundational framework for analysing how India's legal model fits within broader CSR theory, particularly the shift from ethical and philanthropic responsibilities to legal obligations.¹⁵

Afsharipour, A. (2011). *Corporate Social Responsibility and the Law*. *Seton Hall Law Review*, 40, 593–646: Afsharipour examines the relationship between CSR and corporate law, analysing whether social responsibility should be enforced through legal mandates. The article is relevant for evaluating critiques of India's mandatory CSR framework, especially arguments concerning shareholder primacy and corporate autonomy.¹⁶

Narayanasamy, V., et al. (2016). *Mandatory Corporate Social Responsibility in India: Issues and Challenges*. *Journal of Corporate Law Studies*, 16(2), 245–273: This article critically examines India's mandatory CSR regime, highlighting challenges such as compliance-focused spending, lack of impact assessment, and governance gaps. The authors argue that legal compulsion alone is insufficient to achieve substantive social change, a critique directly relevant to assessing CSR's impact in India.¹⁷

¹³ Upendra Baxi, *The Future of Human Rights* (Oxford University Press 2012).

¹⁴ S K Chakraborty, *Ethics in Management: A Vedantic Perspective* (Oxford University Press 2016).

¹⁵ Archie B Carroll, 'Corporate Social Responsibility: Evolution of a Definitional Construct' (1999) 38 *Business & Society* 268–295.

¹⁶ Afra Afsharipour, 'Corporate Social Responsibility and the Law' (2011) 40 *Seton Hall Law Review* 593–646.

¹⁷ V Narayanasamy et al, 'Mandatory Corporate Social Responsibility in India: Issues and Challenges' (2016) 16(2) *Journal of Corporate Law Studies* 245–273.

Dharmapala, D., & Khanna, V. (2018). The Costs and Benefits of Mandatory Corporate Social Responsibility: Evidence from India. *Journal of Law and Economics*, 61(4), 727–761: This empirical study evaluates the economic and governance implications of mandatory CSR in India. The authors analyse corporate responses to CSR obligations and assess whether mandatory spending has affected firm value and efficiency. The article provides an important economic critique of CSR as a regulatory tool.¹⁸

Singh, A., & Verma, S. (2019). Corporate Social Responsibility and Corporate Governance in India. *Journal of the Indian Law Institute*, 61(3), 412–438: This article explores the relationship between CSR and corporate governance, arguing that mandatory CSR has expanded the scope of director responsibilities and stakeholder engagement. The authors assess whether CSR committees and reporting mechanisms have strengthened governance practices or merely added compliance burdens.¹⁹

Kumar, N. (2020). CSR as a Tool for Inclusive Development in India: Myth or Reality? *Economic and Political Weekly*, 55(32), 45–52: Kumar critically examines whether CSR spending has translated into inclusive development outcomes. The article highlights regional disparities, sectoral concentration, and limited community participation, raising questions about the effectiveness of CSR in addressing structural inequalities.²⁰

MCA. (2019). Report of the High Level Committee on Corporate Social Responsibility. Government of India: This report provides an official assessment of CSR implementation in India and recommends reforms to strengthen compliance, monitoring, and impact assessment. It is a key policy document that reflects the state's evolving approach towards regulating CSR and addressing implementation challenges.²¹

Legal Framework Governing Corporate Social Responsibility in India

The statutory framework governing Corporate Social Responsibility (CSR) in India represents

¹⁸ Dhammika Dharmapala & Vikramaditya Khanna, 'The Costs and Benefits of Mandatory Corporate Social Responsibility: Evidence from India' (2018) 61(4) *Journal of Law and Economics* 727–761.

¹⁹ A Singh & S Verma, 'Corporate Social Responsibility and Corporate Governance in India' (2019) 61(3) *Journal of the Indian Law Institute* 412–438.

²⁰ N Kumar, 'CSR as a Tool for Inclusive Development in India: Myth or Reality?' (2020) 55(32) *Economic and Political Weekly* 45–52.

²¹ Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

a significant departure from traditional corporate regulation, which historically prioritised profit maximisation and shareholder interests. With the enactment of the Companies Act, 2013, CSR was formally incorporated into company law, signalling a paradigm shift towards stakeholder-oriented corporate governance. This section examines the legal architecture of CSR in India, the nature of obligations imposed on companies, enforcement mechanisms, and the evolving regulatory approach adopted by the state.

Statutory Basis of CSR under the Companies Act, 2013

The legal foundation of CSR in India is contained in Section 135 of the Companies Act, 2013. This provision applies to companies meeting prescribed financial thresholds namely, a net worth of ₹500 crore or more, a turnover of ₹1000 crore or more, or a net profit of ₹5 crore or more during any financial year. Such companies are mandated to constitute a CSR Committee of the Board and ensure that at least two per cent of the average net profits of the preceding three financial years is spent on CSR activities.²²

The inclusion of CSR within the Companies Act marks a decisive shift from voluntary guidelines to mandatory compliance. Prior to 2013, CSR in India was largely governed by soft-law instruments such as the Corporate Social Responsibility Voluntary Guidelines, 2009, which lacked enforceability. The statutory codification of CSR reflects legislative recognition of the growing role of corporations in social and economic development and the need to institutionalise corporate accountability.

CSR Committee and Corporate Governance Obligations

Section 135 requires qualifying companies to constitute a CSR Committee of the Board consisting of at least three directors, including at least one independent director. The CSR Committee is entrusted with formulating and recommending a CSR Policy, identifying eligible activities, recommending expenditure, and monitoring implementation.²³ This institutional mechanism embeds CSR within the corporate governance structure, making it a board-level responsibility rather than a peripheral activity.

The role of directors in CSR governance has been further strengthened through disclosure and reporting requirements. The Board of Directors is required to approve the CSR policy, disclose its contents in the Board's Report, and ensure that CSR activities are implemented in

²² Companies Act, 2013, s 135(1).

²³ Companies Act, 2013, sch VII.

accordance with statutory requirements. This expansion of directors' duties reflects a broader shift towards recognising social responsibility as an integral component of fiduciary obligations.

Permissible CSR Activities and Schedule VII

Schedule VII of the Companies Act, 2013 provides an illustrative list of activities that may be undertaken as CSR. These include initiatives related to education, healthcare, eradication of poverty, environmental sustainability, gender equality, rural development, protection of national heritage, and disaster relief, among others.²⁴ The broad and inclusive nature of Schedule VII allows companies significant discretion in selecting CSR projects, enabling alignment with corporate expertise and local needs.

However, this flexibility has also attracted criticism. Scholars argue that the absence of clearly defined impact benchmarks allows companies to prioritise low-impact or reputationally beneficial projects. Furthermore, the exclusion of activities undertaken in the normal course of business and political contributions from the scope of CSR underscores the legislature's intent to distinguish genuine social responsibility from strategic business interests.

Comply or Explain to Penal Enforcement: Evolution of CSR Regulation

Initially, India's CSR regime followed a "comply or explain" model, requiring companies that failed to spend the prescribed amount to disclose reasons for non-compliance in their annual reports. This approach reflected a cautious regulatory strategy aimed at encouraging voluntary compliance while gradually familiarising corporations with statutory CSR obligations.

Over time, however, the regulatory stance has shifted towards stricter enforcement. Amendments introduced in 2019 and 2020 strengthened compliance mechanisms by mandating the transfer of unspent CSR amounts to specified funds or separate escrow accounts. Non-compliance with CSR obligations now attracts monetary penalties for companies and officers in default.²⁵ This transition from a facilitative to a punitive framework signals the state's increasing emphasis on accountability and effective utilisation of CSR funds.

Implementation Mechanisms and Role of Implementing Agencies

CSR activities may be undertaken directly by companies or through registered implementing agencies, including trusts, societies, and Section 8 companies. Recent regulatory changes have

²⁴ Companies (Amendment) Act, 2019.

²⁵ Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021.

introduced mandatory registration of implementing agencies with the Ministry of Corporate Affairs, aimed at enhancing transparency and oversight.²⁶ This development reflects growing concern over the misuse of CSR funds and the need for greater accountability in project execution.

Despite these safeguards, implementation challenges persist. Many companies rely heavily on third-party agencies without adequate monitoring, leading to questions about project quality, duplication of efforts, and alignment with community needs. The absence of a standardised impact assessment framework further complicates efforts to evaluate the effectiveness of CSR initiatives.

CSR Reporting, Disclosure, and Transparency

Transparency is a central pillar of India's CSR framework. Companies are required to disclose CSR expenditure, project details, and implementation status in their annual reports and on their websites. The introduction of enhanced reporting formats has sought to improve comparability and accountability.²⁷ These disclosure requirements aim to enable regulatory oversight, stakeholder scrutiny, and public accountability.

However, empirical studies indicate inconsistencies in reporting quality and depth. While larger corporations often produce detailed CSR reports, smaller qualifying companies tend to adopt minimalist disclosure practices. This unevenness undermines the objective of transparency and limits the ability of stakeholders to assess the real impact of CSR initiatives.

Critical Assessment of the Legal Framework

From a normative perspective, India's mandatory CSR framework represents an innovative attempt to align corporate activity with social welfare objectives. By embedding CSR within company law, the legislature has expanded the scope of corporate responsibility beyond profit generation. However, the effectiveness of this approach depends largely on implementation, monitoring, and outcome-based evaluation.

Critics argue that the emphasis on expenditure rather than impact risks reducing CSR to a compliance exercise. The legal framework, while robust in terms of procedural requirements, lacks sufficient mechanisms to ensure qualitative social outcomes. Moreover, concerns

²⁶ Ministry of Corporate Affairs, *CSR Reporting Framework* (Government of India 2020).

²⁷ Dhammika Dharmapala & Vikramaditya Khanna, 'The Costs and Benefits of Mandatory Corporate Social Responsibility: Evidence from India' (2018) 61 *Journal of Law and Economics* 727.

regarding corporate autonomy and shareholder rights continue to animate debates on the legitimacy of mandatory CSR.

Nevertheless, proponents contend that CSR obligations are justified within India's constitutional vision of social justice and inclusive development. Given the scale of corporate resources and their dependence on public infrastructure, mandatory CSR is viewed as a reasonable expectation rather than an undue burden. The evolving regulatory framework reflects an ongoing attempt to balance flexibility with accountability.

Findings

The analysis of the statutory framework, scholarly literature, and policy reports reveals several significant findings regarding the operation and impact of Corporate Social Responsibility (CSR) in India. These findings highlight both the strengths of India's mandatory CSR regime and the limitations that continue to hinder its effectiveness as a tool for social and economic development.

CSR Has Been Successfully Institutionalised as a Legal Obligation

One of the most significant findings of this study is that CSR in India has been effectively institutionalised as a legal obligation rather than a voluntary corporate practice. The incorporation of CSR within the Companies Act, 2013, supported by detailed rules, reporting requirements, and penal consequences, has ensured a high level of formal compliance among qualifying companies. The requirement to constitute CSR Committees, formulate CSR policies, and disclose CSR activities in annual reports has embedded CSR within corporate governance structures.²⁸

This institutionalisation has led to increased awareness and standardisation of CSR practices across the corporate sector. CSR is no longer treated as an ad hoc philanthropic activity but as a structured, board-level responsibility. From a regulatory standpoint, this represents a significant achievement in aligning corporate operations with social accountability norms.

Mandatory CSR Has Increased Corporate Spending on Social Development

The mandatory CSR framework has resulted in a substantial increase in corporate expenditure on social welfare initiatives. Government data indicates a steady rise in CSR spending since the introduction of Section 135, particularly in sectors such as education, healthcare, sanitation,

²⁸ Ministry of Corporate Affairs, *National CSR Data Portal Report* (Government of India 2022).

and environmental sustainability.²⁹ This finding supports the argument that statutory compulsion can mobilise private corporate resources for public welfare objectives, supplementing state-led development efforts.

However, the distribution of CSR funds reveals sectoral and regional imbalances. A disproportionate share of CSR expenditure is concentrated in urban and industrialised regions, while economically backward and remote areas receive comparatively limited attention. This uneven allocation undermines the objective of inclusive development and reflects gaps in strategic planning and regulatory guidance.

CSR Implementation Remains Largely Compliance-Oriented

Despite increased spending, the study finds that CSR implementation in India remains predominantly compliance-driven. Many corporations approach CSR as a statutory requirement to be fulfilled through expenditure rather than as a long-term social investment. This compliance-oriented mindset is reflected in the preference for low-risk, short-term projects that yield immediate visibility but limited sustainable impact.³⁰

The emphasis on spending targets rather than outcome-based evaluation contributes to this problem. While the law mandates expenditure and disclosure, it does not impose clear standards for measuring social impact. As a result, CSR initiatives often lack continuity, community engagement, and scalability.

Monitoring and Impact Assessment Mechanisms Are Inadequate

Another key finding is the inadequacy of monitoring and impact assessment mechanisms within the CSR framework. Although recent amendments have strengthened reporting requirements and introduced registration norms for implementing agencies, there is still no comprehensive system for evaluating the effectiveness of CSR projects.³¹ The absence of independent audits or standardised impact metrics limits regulatory oversight and undermines accountability.

This gap is particularly problematic in cases where CSR activities are outsourced to third-party implementing agencies. While such arrangements expand operational capacity, they also create

²⁹ N Kumar, 'CSR as a Tool for Inclusive Development in India: Myth or Reality?' (2020) 55(32) *Economic and Political Weekly* 45.

³⁰ Ministry of Corporate Affairs, *Report of the High Level Committee on Corporate Social Responsibility* (Government of India 2019).

³¹ Milton Friedman, 'The Social Responsibility of Business Is to Increase Its Profits' (1970) *New York Times Magazine*.

distance between corporations and beneficiary communities, reducing opportunities for meaningful engagement and oversight.

Mandatory CSR Raises Normative and Legal Concerns but Remains Constitutionally Defensible

The study also finds that mandatory CSR continues to attract normative criticism, particularly regarding shareholder primacy and corporate autonomy. Critics argue that compelling companies to allocate profits for social purposes amounts to an indirect tax and interferes with market freedom.³² However, these concerns must be assessed within the broader constitutional and socio-economic context of India.

Given the Constitution's commitment to social justice, equitable distribution of resources, and welfare-oriented governance, mandatory CSR can be justified as a reasonable regulatory measure. The state's decision to involve corporations in development objectives reflects a pragmatic response to resource constraints and governance challenges.

Regulatory Evolution Indicates a Shift Towards Greater Accountability

Finally, the study finds that the evolution of CSR regulation in India demonstrates an increasing emphasis on accountability and effective utilisation of funds. The transition from a "comply or explain" model to penal enforcement, coupled with enhanced disclosure norms, indicates the state's intent to ensure that CSR obligations are taken seriously. While this shift strengthens compliance, it also risks reinforcing a box-ticking culture unless accompanied by impact-oriented reforms.

Conclusion

Corporate Social Responsibility (CSR) in India represents a distinctive and ambitious legal experiment that seeks to integrate corporate activity with broader social and developmental objectives. By mandating CSR through statutory intervention, India has departed from the predominantly voluntary and market-driven models of corporate responsibility adopted in most jurisdictions. This research paper has examined the legal obligations imposed under the CSR framework, the rationale behind mandatory compliance, and the practical impact of CSR initiatives on society and corporate governance.

³² Companies (Amendment) Act, 2019.

The analysis demonstrates that the incorporation of CSR within the Companies Act, 2013 has successfully institutionalised social responsibility as a core component of corporate governance. CSR is no longer peripheral to business operations but has been embedded within board-level decision-making through mandatory CSR Committees, disclosure obligations, and reporting requirements. From a regulatory perspective, this represents a significant advancement in corporate accountability and reflects an expanded understanding of fiduciary responsibility that extends beyond shareholders to include broader stakeholder interests.

At the same time, the findings reveal that the effectiveness of CSR as a tool for social change remains constrained by structural and implementation-related challenges. While mandatory CSR has undoubtedly increased corporate spending on social welfare initiatives, expenditure alone has not consistently translated into meaningful or sustainable social impact. The predominance of compliance-driven CSR, characterised by short-term projects and limited community engagement, undermines the transformative potential of the legal framework. The emphasis on financial outlays rather than outcome-based evaluation highlights a critical gap between legislative intent and practical outcomes.

The evolution of CSR regulation in India from a “comply or explain” approach to stricter enforcement mechanisms reflects the state’s growing concern with accountability and effective utilisation of CSR funds. Amendments introducing penalties for non-compliance, rules governing unspent CSR amounts, and registration requirements for implementing agencies signify a shift towards greater regulatory control. However, increased penalisation without corresponding investment in impact assessment and monitoring risks reinforcing a formalistic compliance culture rather than fostering genuine corporate commitment to social responsibility.

Normative critiques of mandatory CSR, particularly those rooted in shareholder primacy and market efficiency, raise important questions regarding the legitimacy of imposing social obligations on private enterprises. Nevertheless, when assessed within India’s constitutional framework marked by commitments to social justice, equitable distribution of resources, and welfare-oriented governance mandatory CSR emerges as a defensible regulatory choice. Corporations operate within and benefit from public infrastructure, legal protections, and market privileges granted by the state, thereby justifying reciprocal social obligations.

The study also underscores the need for policy and regulatory refinements to enhance the effectiveness of CSR in India. Strengthening monitoring mechanisms, developing standardised impact assessment frameworks, and promoting greater community participation are essential to ensure that CSR initiatives address genuine social needs. Encouraging long-term, collaborative projects rather than fragmented, short-term interventions can significantly improve the sustainability and inclusiveness of CSR outcomes. Additionally, greater transparency and independent evaluation can enhance public trust and stakeholder confidence in CSR processes.

In conclusion, India's CSR regime represents a bold attempt to redefine the role of corporations in society through law. While the framework has succeeded in mobilising corporate resources for social welfare, its long-term success depends on shifting the focus from mere compliance to meaningful impact. By aligning legal mandates with robust governance practices and outcome-oriented evaluation, CSR can evolve from a statutory obligation into a powerful instrument for sustainable development and inclusive growth. The Indian experience thus offers valuable lessons for jurisdictions seeking to reconcile corporate profitability with social responsibility in an increasingly interconnected and unequal world.

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