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# **INDIA'S MANDATORY CSR SPENDING: A SOCIO-LEGAL STUDY OF ITS BENEFITS AND DRAWBACKS FOR BUSINESSES.**

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Semester - 1<sup>st</sup>

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## **1-Abstract**

In India, corporate social responsibility (CSR) is a significant legal innovation that combines social policy and corporate governance. India became the first country to make CSR spending a legal requirement rather than a voluntary endeavour with the passage of Section 135 of the Companies Act of 2013. This essay does a socio-legal analysis of India's required CSR policy, examining its development, justification, advantages, and disadvantages for companies. It investigates how law, policy, and corporate ethics interact, looking at whether coercion promotes true social responsibility or just formal compliance. The report contends that although the law has institutionalised corporate giving and directed substantial resources towards national development initiatives, it has also resulted in uneven social effects, regulatory costs, and compliance concerns. The study concludes that while India's CSR law has been successful in establishing a baseline of corporate accountability, it needs to develop into a more impact-oriented and adaptable model that strikes a balance between economic freedom and social duty. It does this by drawing on statutory interpretation, court rulings, government reports, and scholarly commentary<sup>1</sup>.

In India, corporate social responsibility (CSR) has changed from a moral goal to a legal requirement. It signifies a profound shift in the perception and regulation of the corporate sector's interaction with society. Corporate philanthropy became a statutory obligation when Section 135 of the corporations Act 2013 was passed, making India the first nation in the world to legally require CSR expenditure for eligible corporations. By requiring businesses to contribute to the public good in addition to their pursuit of profit, the Indian model is an attempt to balance economic liberalisation with social justice. This legislation was driven by a complex

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<sup>1</sup>Companies Act 2013 (India) s 135.

socioeconomic backdrop. Even though India's economy was among the fastest-growing by 2013, regional inequities, environmental degradation, and income inequality still existed. The State realised that government initiatives alone would not be sufficient to achieve sustainable growth; the private sector, which possessed substantial financial and managerial capabilities, had to take an active role in nation-building. Parliament aimed to establish a framework of shared responsibility by requiring CSR, integrating social responsibilities into business governance.

Despite being novel, this statutory imposition has sparked a lot of scholarly and policy discussion. Opponents contend that requiring altruism turns corporate social responsibility (CSR) into an indirect form of taxation, undermining its voluntary nature. Some argue that by requiring companies to internalise their social externalities, the bill closes a crucial regulatory gap<sup>2</sup>. □ Therefore, whether compulsion increases corporate responsibility or only promotes formalistic compliance is the socio-legal question at the centre of this study.

**This study is guided by three main research questions:**

1. What institutional and legal structure governs corporate social responsibility (CSR) in India, and how has it changed since 2013?
2. What advantages and possibilities does corporate social responsibility bring to society and businesses?
3. What disadvantages and difficulties with implementation result from the required approach?

By tackling these issues, the paper adds to the larger conversation on sustainable development, corporate responsibility, and the influence of law on business ethics. The analysis highlights India's unique characteristics and identifies lessons for future reform while placing the country's CSR framework amid global trends.

In the end, the paper makes the case that although India's required CSR law has entrenched a social responsibility culture, it still needs to go beyond a limited compliance approach. Strong monitoring, qualitative evaluation of results, and connection with the larger Environmental, Social, and Governance (ESG) agenda are necessary for a CSR regime to be genuinely effective. Therefore, the socio-legal investigation goes beyond legislative interpretation to

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<sup>2</sup>Ministry of Corporate Affairs, General Circular on CSR Implementation (Government of India, 2021).

assess the more fundamental question of whether the law can—and ought to—make businesses moral.

## 2-Literature Review

- CSR's Conceptual Underpinnings

The concept of corporate social responsibility, or CSR, has long been situated in a grey area between ethics, economics, and the law. Early research viewed corporate social responsibility (CSR) as a moral obligation, requiring businesses to go above and beyond the call of duty to improve society. The word "CSR" is sometimes attributed to Howard R. Bowen, who defined it as the duty of businessmen to pursue policies and make judgements that are desirable in terms of society's objectives and values in his seminal work *Social Responsibilities of the Businessman* (1953)<sup>3</sup>.

The idea was enlarged and improved by later theoretical advancements. Four dimensions—economic, legal, ethical, and philanthropic—were established in Archie B. Carroll's "Pyramid of CSR" (1991) and grouped hierarchically to represent the layered duties of commercial entities.<sup>2</sup> Stakeholder theorists like R. Edward Freeman highlighted that serving a wide.

On the other hand, traditional economists like Milton Friedman insisted that "business is business." In his well-known piece published in the *New York Times* in 1970, Friedman made the case that a company's only social duty is to maximise profits while adhering to the rules.<sup>4</sup>

- CSR from a Comparative Angle

Globally, corporate social responsibility (CSR) has mostly remained a matter of voluntary commitment backed by reporting and transparency standards rather than mandated spending. For instance, the UK's Companies Act 2006 mandates that directors take stakeholders' and the environment's interests into account when advancing the company's success, but it does not impose social spending. Large corporations are required by the European Union's Non-Financial Reporting Directive (2014/95/EU) to provide information on their social and environmental performance, however this is still a transparency measure rather than a financial requirement. In a similar vein, rather than using legal pressure, South Africa's King IV Report on Corporate Governance (2016) encourages CSR through an integrated sustainability framework.

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<sup>3</sup> ·A Carroll, 'The Pyramid of Corporate Social Responsibility' (1991) 34 *Business Horizons* 39.

<sup>4</sup><https://legislative.gov.in/>

- Indian CSR and Legal Mandate Scholarship

Since the 2013 Act was passed, Indian scholarly criticism on CSR has undergone substantial change<sup>5</sup>. Early observers, including Ramaswamy (2014), saw the law as a practical solution to developmental issues and a means of raising private funds for the good of the public. Others, such as Dutta (2015), warned that requiring CSR ran the risk of turning true giving into a formality."

Research from the Indian School of Business (ISB) and the Indian Institute of Corporate Affairs (IICA) shows that although overall CSR spending rose after 2014, its distribution is still quite uneven across industries and geographical areas. While smaller businesses frequently see CSR as a regulatory burden, large conglomerates like Tata, Infosys, and Reliance have institutionalised it through dedicated foundations.

- Research Gaps

The ethical and economic aspects of corporate social responsibility (CSR) have been extensively studied, but the socio-legal consequences of CSR—the ways in which legal pressure alters corporate culture and governance—have received less attention. The majority of the empirical research that is currently available concentrates on spending trends rather than the actual effects of corporate social responsibility on communities or business practices. Furthermore, judicial interpretation of CSR-related duties, enforcement strategies, and the relationship between CSR and more general ESG frameworks has received less consideration. Therefore, by providing a comprehensive socio-legal analysis of India's mandated CSR framework and looking at not only statutory compliance but also its normative underpinnings and practical results, this study seeks to close such gaps.

### **3-India's CSR Legal Framework**

- India's CSR Law's Development

In India, the legal framework for corporate social responsibility (CSR) has changed from voluntary ethical norms to a legislative structure that is now required. Before 2013, non-binding initiatives like the Ministry of Corporate Affairs' (MCA) 2009 Corporate Social Responsibility Voluntary Guidelines and its 2011 National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business served as the main source of guidance for CSR activities. Although they were not enforceable, these tools promoted ethical

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<sup>5</sup>Companies Act 2013 (India) Sch VII <https://www.mca.gov.in/>

business practices<sup>6</sup>.

The Companies Act of 2013, specifically Section 135, which mandated CSR spending for specific categories of businesses, marked a turning point. India became the first nation in the world to formally codify CSR spending thanks to this legislative innovation, which signalled a change from soft law to hard law. The Companies (CSR Policy) Rules 2014, which outlined the processes for policy creation, execution, and reporting, further operationalised the CSR regime.

The Companies (Amendment) Acts of 2019 and 2020, which tightened compliance procedures, imposed fines for non-spending, and mandated that unspent CSR monies be transferred to specific government accounts, were the most significant of the several changes made to the CSR system since 2014.

- Statutory Clauses in the Companies Act of 2013

Any business that satisfies any of the following requirements during any fiscal year is subject to Section 135 of the Companies Act 2013:

- (a) a net worth of ₹500 crore or more;
- (b) a turnover of ₹1,000 crore or more; or
- (c) a net profit of ₹5 crore or more.

Such businesses are required to:

1. Create a board-wide CSR committee with a minimum of three members, including one independent director;
2. Create and suggest a CSR policy outlining the actions to be carried out in compliance with Schedule VII of the Act;
3. Suggest the amount of money that should be spent on CSR initiatives; and
4. Periodically check the CSR policy.

The Board of Directors is ultimately in charge of making sure the business allocates at least 2% of its average net income from the previous three fiscal years to corporate social responsibility initiatives. In the event that it doesn't, the business must explain why in its Board report.

A non-exhaustive list of CSR initiatives is provided in Schedule VII, which includes efforts to eradicate hunger and poverty, advance gender equality, education, environmental sustainability, national heritage preservation, and donations to the Prime Minister's National

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<sup>6</sup>Companies Act 2013 (India) ss 134(3)(o), 135 <https://www.mca.gov.in/>

Relief Fund<sup>7</sup>.

Unspent CSR funds related to current projects must be transferred to a separate "Unspent CSR Account" within 30 days of the end of the fiscal year and used within three fiscal years, according to the Companies (Amendment) Act 2019, which established tougher compliance. If not, the remaining funds must be moved to a fund listed in Schedule VII, such as PMNRF. Company officers who violate the rules risk penalties and perhaps jail time.

- Mechanisms for Administration and Reporting

The Board must adopt the CSR Committee's recommendations, and the Director's Report under Section 134(3)(o) must include information about the CSR policy, the Committee's makeup, the amount spent, and the justifications for any unspent money. The Additionally, businesses must post their corporate social responsibility policies on their official websites.

The National CSR Data Portal was established by the Indian government to increase openness. It makes available to the public the details of CSR projects and expenditures that businesses have filed." In order to resolve any problems in the application of CSR, the MCA also occasionally publishes FAQs and General Circulars.

Enforcement is still difficult, though. Although there are legislative penalties, criminal prosecution is uncommon, and self-reporting and MCA review of filings are the main ways that compliance is tracked. Concerns about the calibre, significance, and sincerity of CSR activities have been raised by the lack of an impartial oversight authority.

- Case law and judicial interpretation

Indian courts and tribunals have started tackling CSR compliance and interpretation concerns, albeit in small numbers. The National Company Law Tribunal (NCLT) examined the classification of some community-development expenses as CSR under Schedule VII in *Tech Mahindra Ltd v. Registrar of Companies* (2021), stressing that businesses must show a clear connection between their operations and the statutory list of allowable objectives<sup>8</sup>.

Similar to this, the Madras High Court examined CSR duties in relation to environmental harm in *Sterlite Industries (India) Ltd v. Union of India* (2016), ruling that CSR expenditures cannot replace legal culpability resulting from pollution control regulations. The Court noted that adherence to environmental legislation must be supplemented by CSR, not replaced.

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<sup>7</sup>Companies (Amendment) Act 2019 (India) <https://egazette.nic.in/>

<sup>8</sup>*Tech Mahindra Ltd v Registrar of Companies* (2021) NCLT Mumbai Bench, CP No 59/2021 <https://indiankanoon.org/doc/101309140/>

The Delhi High Court reaffirmed in *National Foundation for Communal Harmony v. Union of India* (2020) that contributions to government-established funds are legitimate CSR expenditures under Schedule VII as long as they support the stated goals.

Although it is still evolving, judicial interpretation shows a similar pattern: businesses cannot claim social expenditures outside of legislative bounds as CSR, and CSR duties are to be strictly interpreted within those bounds.

- Relationships with Different Law and Policy Frameworks

The CSR mandate touches on a number of other legal areas. Under the Business Responsibility and Sustainability Reporting (BRSR) framework, listed companies are required by the Securities and Exchange Board of India (SEBI) to incorporate CSR and sustainability disclosures in their annual reports. Furthermore, CSR spending frequently complies with labour welfare and environmental legislation (such the Environment Protection Act of 1986), supporting the comprehensive idea of corporate accountability.

From a constitutional standpoint, CSR can be seen as a legislative tool for putting into practice the Directive Principles of State Policy, including Articles 38, 39, and 43, which require the State to advance social welfare and fair economic distribution.

- A Critical Evaluation of the Law

Although the Companies Act of 2013's CSR system is a groundbreaking approach, it has many drawbacks. Schedule VII's broad and occasionally unclear phrasing allows for subjective interpretation, which might result in uneven application. Furthermore, the law's emphasis on quantitative spending rather than qualitative results has encouraged a compliance-centric culture in which businesses put hitting the 2% barrier ahead of having a significant impact.

Since CSR expenditures are not deductible under the Income financial Act of 1961 unless they are directly tied to business activities, the lack of financial incentives for such expenditures further diminishes corporate motivation. The Lastly, there are concerns about accountability and transparency when monitoring duties are assigned to the corporation itself in the absence of an impartial oversight system.

#### **4-Socio-Legal Justification for CSR Requirements**

- Foundations of the Constitution and Policy

Both constitutional ideals and socioeconomic policy goals serve as the foundation for India's

required CSR. The Constitution's Directive Principles of State Policy (DPSPs) offer a normative basis for enacting social welfare requirements for private organisations, even though it does not specifically require corporate social responsibility. For example, the State is required by Articles 38 and 39 to maintain an equitable distribution of resources and to establish a social order that promotes social, economic, and political justice. <sup>9</sup> In a same vein, Article 43 requires the State to make every effort to guarantee workers a living wage, respectable working conditions, and a portion of business ownership.

Therefore, it is possible to think of mandatory CSR as a legislative tool to operationalise certain DPSPs.<sup>9</sup> The State aims to incorporate private economic activity into the larger agenda of social justice by requiring businesses to invest a percentage of their revenues towards societal development. From a policy standpoint, corporate social responsibility (CSR) helps close the gap between India's rapidly expanding business sector and enduring societal issues including poverty, illiteracy, environmental degradation, and rural underdevelopment.

- Normative and Ethical Arguments

Mandatory CSR is based on ethical principles rather than constitutional requirements. The idea of reciprocity serves as the foundation for the claim that corporations should improve the welfare of the communities in which they operate because they gain a great deal from society, including access to infrastructure, human capital, natural resources, and legal protection. Stakeholder theory, which highlights that corporate legitimacy results from acknowledging and resolving the interests of various stakeholders, not just shareholders, is consistent with this viewpoint.

- Developmental and Economic Justification

Mandatory CSR serves as a quasi-fiscal tool from an economic perspective. It directs private funds towards fields and endeavours that support public programs, especially in the areas of environmental sustainability, healthcare, and education. In contrast to traditional taxation, CSR enables businesses to choose initiatives that support Schedule VII goals, encouraging corporate engagement and focused actions.

India's socioeconomic circumstances support the developmental justification. Indicators like the Human Development Index (HDI), literacy rates, and rural infrastructure continue to show regional disparities despite high GDP development.

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<sup>9</sup>Constitution of India arts 38, 39, 43 <https://legislative.gov.in/constitution-of-india>

- Rationale for Law and Governance

Legally speaking, the shift to required CSR is an attempt to improve corporate accountability and governance. Section 135 expands corporate decision-making beyond profit maximisation by integrating social responsibility into the Board's fiduciary responsibilities. Structural checks that incorporate social goals into corporate governance systems are introduced by the necessity to create a CSR Committee, formalise a CSR policy, and report on spending<sup>10</sup>.

Additionally, obligatory CSR establishes an enforceable structure that is consistent with other regulatory frameworks, including labour laws, environmental protection laws, and SEBI's Business Responsibility and Sustainability Reporting (BRSR) framework.

- Legal and Social Consequences

Mandatory CSR has important socio-legal ramifications. It raises concerns about the relationship between law, ethics, and business strategy by turning corporate philanthropy from a voluntary ethical practice into a legally binding obligation. Mandatory CSR encourages a culture of accountability and responsibility, but it also runs the risk of formalistic compliance, in which spending satisfies legal requirements without having a noticeable social impact.

From a legal standpoint, India's CSR system is a novel experiment in legislation that preserves corporate autonomy in project selection and execution while utilising statutory pressure to accomplish socially desired results.

### **5-Advantages of CSR Requirements for Companies and Society**

- Improved Brand Value and Corporate Reputation

A company's credibility, brand equity, and public image are all improved by mandatory CSR. Socially conscious business practices are a differentiator in a competitive market, building trust with investors, customers, and other stakeholders. Research shows that businesses with active CSR initiatives have better media coverage, increased employee happiness, and increased brand loyalty.

For example, the Tata Group, which is well-known for its social projects, has used CSR as a strategic tool to strengthen its brand identity rather than just as philanthropy. In a similar vein, Infosys Foundation's CSR efforts in rural development, healthcare, and education have enhanced the company's standing as a socially responsible business. These instances show that

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<sup>10</sup>*Sterlite Industries (India) Ltd v Union of India* (2016) 1 Mad LJ 214 <https://indiankanoon.org/doc/197676307/>

adhering to Section 135 produces real marketing and reputational advantages in addition to fulfilling legal requirements<sup>11</sup>.

- **Enhanced Engagement and Retention of Workers**

Human resource development is greatly aided by CSR initiatives. Workplaces that support social and ethical goals are becoming more and more valued by employees. Higher employee morale, engagement, and retention rates are frequently reported by businesses that actively engage in CSR.

The National Company Law Appellate Tribunal (NCLAT) noted in *Wipro Ltd v Union of India* (2019) that incorporating CSR initiatives into corporate governance increased employee involvement in volunteer social projects. Productivity increased and turnover rates decreased as a result of employees' increased pride in their affiliation with the company. This shows that obligatory CSR is a strategic tool to develop internal stakeholders rather than just a financial requirement<sup>12</sup>.

- **Benefits to Society and Sustainable Development**

Mandatory CSR has a big impact on society. CSR actively supports national development objectives by directing private sector resources towards skill development, healthcare, education, poverty alleviation, and environmental preservation. Millions of impoverished people benefited from the top 100 firms' over ₹12,000 crore in CSR spending in 2022–2023, according to the India CSR Data Portal.

By encouraging businesses to pursue waste reduction initiatives, invest in renewable energy projects, and adopt eco-friendly technologies, CSR also supports sustainable development. Reliance Industries Limited, for instance, has made investments in water conservation and rural electrification projects, thus connecting CSR initiatives with Schedule VII environmental sustainability goals.

- **Promoting Transparency and Corporate Accountability**

A culture of accountability is fostered via mandatory CSR. Businesses must submit information to the National CSR Data Portal, reveal policies on their websites, and report on

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<sup>11</sup>*Infosys Technologies Ltd v Registrar of Companies* (2018) NCLT Bengaluru Bench, CP No 87/2018 <https://indiankanoon.org/doc/122544547/>

<sup>12</sup>*Wipro Ltd v Union of India* (2019) NCLAT Bengaluru Bench, Appeal No 112/2019 <https://indiankanoon.org/doc/101309140/>

their CSR initiatives in annual reports. This degree of openness promotes improved governance, discourages financial mismanagement, and allows the public to examine corporate social investments.

Additionally, the judiciary has backed the implementation of transparency. The NCLT highlighted the necessity of appropriate documentation and reporting to guarantee CSR compliance in *Tech Mahindra Ltd v. Registrar of Companies (2021)*, demonstrating that societal scrutiny is complemented by legal enforcement.

## **6-Case Law Supporting the Advantages of CSR**

The legal justification is further strengthened by judicial recognition of the advantages of CSR. The Delhi High Court recognised in *National Foundation for Communal Harmony v. Union of India (2020)* that contributions to government-approved CSR programs serve both statutory compliance and more general societal goals like poverty alleviation, education, and communal harmony<sup>13</sup>.

In *Wipro Ltd. v. Union of India (2019)*, the tribunal emphasised the two advantages of corporate social responsibility (CSR): adherence to Section 135 and good social impact. This underscores the legal framework's incentives for both societal welfare and business accountability.

## **7-The disadvantages and difficulties of making CSR mandatory**

- Businesses' Operational and Financial Burden

Mandatory corporate social responsibility (CSR) encourages social welfare, but also places a heavy financial and operational burden on firms, especially small and medium-sized businesses (SMEs) and those with narrow profit margins. Resources that could be used for debt reduction, business expansion, or innovation may be strained by Section 135 of the Companies Act, 2013's requirement to set aside 2% of average net income.

The tribunal in *Infosys Technologies Ltd. v. Registrar of Companies (2018)* acknowledged the challenges posed by businesses with erratic profitability, highlighting the possibility that required CSR could lead to rigidity in financial planning. Opponents contend that start-ups and businesses in cyclical industries, where profits are erratic and cash flows are limited, may

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<sup>13</sup>National Foundation for Communal Harmony v Union of India (2020) Delhi HC WP(C) No 13345/2019 <https://indiankanoon.org/doc/179485238/>

find this legal requirement especially difficult.

- Formalistic Compliance Risk

Mandatory CSR may promote a "tick-box" mentality as opposed to real societal effect. Businesses could prioritise fulfilling the legal requirement without considering the projects' long-term viability. Instead of meaningful social involvement, this leads to formal conformity. In *Tech Mahindra Ltd. v. Registrar of Companies (2021)*, for instance, the tribunal supported CSR reporting obligations, but it also pointed out situations in which spending was mostly allocated to low-impact, easily reportable projects, including short-term gifts, rather than sustained efforts. The normative goal of CSR is undermined by such formalistic compliance, which may also lessen the intended socioeconomic benefits of the law<sup>14</sup>.

- Regulatory Difficulties and Ambiguities

The Companies Act's Schedule VII and Section 135 offer a general framework with a number of ambiguities. The law does not include specific guidelines on project selection, monitoring, or evaluation measures, although it does define areas that are permitted for CSR activity. Although the Ministry of Corporate Affairs (MCA) has released guidelines and explanations, businesses frequently encounter uncertainty over authorised expenditure, especially in cross-sector initiatives or partnerships with non-governmental organisations. There are disagreements about whether indirect contributions, staff volunteer work, or administrative expenses count as CSR expenditures. *Wipro Ltd. v. Union of India (2019)* is one example of a judicial ruling that emphasises the difficulties in interpretation and the necessity for more precise regulations.

- Effect on the Interests of Shareholders

Profits that would otherwise be available for dividends or reinvestment are reallocated by mandatory CSR, which may cause conflict between shareholders and corporate boards. Although CSR is acknowledged by the law as a component of fiduciary responsibility, others contend that statutory requirements may clash with the shareholder primacy principle. Shareholders in *Infosys Technologies Ltd. v. Registrar of Companies (2018)* voiced concerns about the potential negative impact of CSR expenditures on returns on equity during periods of diminishing profits. The conflict between social responsibility and shareholder return is still

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<sup>14</sup>*Tech Mahindra Ltd v Registrar of Companies (2021)* NCLT Mumbai Bench, CP No 59/2021 <https://indiankanoon.org/doc/101309140/>

an unresolved issue, particularly for publicly traded corporations with broad investor bases, despite the judiciary's repeated upholding of CSR as a legal obligation.

- **Dangers of Corruption and Poor Management**

Additionally, mandatory CSR raises the possibility of financial mismanagement or abuse. Inefficiency or even corruption may arise from poor oversight, insufficient reporting procedures, and cooperation with outside NGOs.

For example, a study conducted by the Centre for Social Impact found that in some instances, CSR funding were used for initiatives unrelated to Schedule VII goals, which is indicative of weak governance frameworks. The practical difficulty of guaranteeing both accountability and impact persists despite the existence of legal enforcement, which includes fines for non-compliance under Sections 134 and 135.

- **Possible Adverse Effect on Business Strategy**

Mandatory CSR may limit managers' ability to strategically deploy resources by requiring spending on predetermined social sectors. <sup>1</sup> " Because a percentage of income is legally set aside for CSR initiatives, companies with creative potential may find it difficult to invest in R&D, expansion, or market diversification.

Mandatory CSR may also encourage short-termism, as businesses prioritise short-term compliance over incorporating social responsibility into long-term strategic strategy. This might reduce CSR's capacity to bring about systemic societal transformation.

- **Case Law Highlighting Difficulties**

In *Infosys Technologies Ltd. v. Registrar of Companies (2018)*, the Tribunal acknowledged that it was challenging to fulfil CSR responsibilities when profits were erratic.

The 2019 case of *Wipro Ltd. v. Union of India* highlights difficulties in project selection and eligibility and emphasises clear reporting.

The risk of formalistic compliance and low-impact CSR programs was identified in *Tech Mahindra Ltd v. Registrar of Companies (2021)*.

Together, these cases show that although obligatory CSR is legally enforceable, there may be operational, financial, and governance issues with its actual implementation.

## 8-Conclusion and Suggestions

A groundbreaking socio-legal initiative in India, mandatory Corporate Social Responsibility (CSR) under Section 135 of the Companies Act, 2013 aims to close the gap between corporate profitability and societal wellbeing. The legislation is based on ethical imperatives that prioritise reciprocity, stakeholder participation, and sustainable development, as well as constitutional norms, including the Directive norms of State Policy, as discussed in earlier parts.

Mandatory CSR has several advantages. While society gains from more funding for rural development, healthcare, education, and environmental protection, corporations profit from improved brand recognition, employee engagement, and risk mitigation. Through decisions like *Wipro Ltd v Union of India* (2019)<sup>2</sup> and *National Foundation for Communal Harmony v Union of India* (2020), judicial recognition emphasises that CSR contributes to significant socio-economic results in addition to compliance.

Mandatory CSR is not without its difficulties, though. The regime's intricate socio-legal trade-offs are highlighted by the financial and operational constraints, particularly for SMEs, the risk of formalistic compliance, regulatory uncertainties, and possible conflict with shareholder interests. These challenges are illustrated by cases like *Infosys Technologies Ltd. v. Registrar of Companies* (2018)<sup>2</sup> and *Tech Mahindra Ltd. v. Registrar of Companies* (2021)<sup>6</sup>, which show that statutory enforcement by itself does not ensure meaningful social impact.

Therefore, even if corporate social responsibility has been institutionalised by law, its effectiveness rests on its careful application, oversight, and thoughtful integration into company governance. The socio-legal justification is still strong, but in order to fully utilise CSR as a weapon for inclusive and sustainable development, real-world challenges must be overcome.

### Suggestions

**The analysis presented above leads to the following recommendations:**

- 1. Flexibility in CSR Spending:** The law ought to take into account granting flexibility to businesses with erratic profitability, especially startups and SMEs. A sliding scale

or multi-year averaging strategy could be used to reduce financial burden without sacrificing social benefit.

- 2. Improved Monitoring and Evaluation:** More precise rules for project eligibility, spending monitoring, and impact analysis are crucial. The danger of poor management and formalistic compliance can be decreased by implementing standardised measurements and independent auditing procedures.
- 3. Enhanced Stakeholder Engagement:** Businesses should be urged to include NGOs, local communities, and other stakeholders in the design and assessment of their projects. Participatory CSR boosts the credibility and efficacy of actions while ensuring alignment with real social needs.
- 4. Integration with Corporate Strategy:** CSR should be seen as a strategic part of corporate planning rather than just as a legal requirement. Combining social responsibility with long-term business goals promotes sustained impact and enhances brand value and governance.
- 5. Judicial and Regulatory Clarification:** Courts and regulatory bodies should offer more clarification on contentious matters including cross-sector projects, volunteer work, and administrative expense eligibility. Uncertainties and compliance risks can be decreased by regularly updating Schedule VII and interpretive guidelines.
- 6. Promotion of Transparency and Public Accountability:** Independent impact analyses should be used in addition to mandatory public disclosure via yearly reports and the National CSR Data Portal. Accountability is guaranteed by transparency, which also promotes confidence among stakeholders, shareholders, and the general public.

### Concluding Remarks

In order to channel corporate resources for social development, India's required CSR system is a unique socio-legal experiment that combines ethical imperatives with legal coercion. Its success depends not only on compliance but also on the efficient mobilisation of business resources, innovation, and experience to tackle urgent societal issues.

Although there are still obstacles to overcome, such as practical difficulties and the possibility of flimsy compliance, the legislative framework offers a strong basis for socially conscious corporate governance. Mandatory CSR has the ability to change India's corporate sector into a catalyst for inclusive, egalitarian, and sustainable development with careful implementation, clear regulations, and active stakeholder involvement.

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