

# The Law of Corporate Social Responsibility and Its Role in Social Upliftment in India

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## **Abstract**

In India, Corporate Social Responsibility (CSR) has undergone a massive shift. It used to be seen as charity, but since the Companies Act of 2013, it has become a legal requirement. However, modern CSR is a strategic way of doing business that focuses on solving social issues like health, education, and the environment while also creating a real economic impact. The research methodology in this paper is doctrinal, utilizing primary legal materials such as statutes, case law, and governmental regulations along with secondary sources like academic journal articles and corporate reports. The goal is to make life better for everyone involved, from employees to local communities. This study looks at how CSR programs help raise living standards and close the gap between the rich and the poor. It also identifies the challenges that stop these programs from reaching their full potential and offers practical advice on how companies can be more planned and accountable

## **Key words:**

*Corporate, Social, responsibility, sustainable*

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## **I. Introduction:**

The story of CSR in India is fascinating because it didn't start in a boardroom, it started with religion and family. Long before there were laws about it, Indian business owners practiced daan (charity). Since most companies were family-run, giving back was seen as a moral duty. It followed a "circle of obligation" where you took care of your family first, then your community and religion, and finally the rest of society (Sundar, P.2013). By the late 1800s, this started to look a bit more formal, with big business families setting up hospitals and schools to gain social respect (Sarkar, J., & Sarkar, S. 2015).

After India gained independence, things shifted toward Mahatma Gandhi's idea of "Trusteeship." He basically argued that business owners should see themselves as caretakers of wealth for the public good (Arora, B., & Puranik, R. (2004). It was a beautiful idea, but it didn't have much hold since there were no rules on how to actually do it. For a long time, philanthropy was just seen as a way for companies to look good while they focused on making a profit, often ignoring the social damage they might be causing.

Things got complicated in the 1960s and 1970s. The government was struggling to provide basic services, and people were losing trust in big business. This was when the "third sector" that were the NGOs really took off. Businesses started to realize that if the communities around them were failing, they would eventually fail too (Sundar, P.2013). The focus moved away from just handing out money to helping people become self-reliant. The government even tried to give tax breaks for this, though they had to pull back when some companies started taking advantage of the system.

The real turning point came with the global shift in the 1990s. As India opened up its economy, the private sector became the main driver of growth. But with that power came big problems, like major environmental pollution and land disputes with tribal communities. High-profile scandals involving brands like Coca-Cola and Vedanta made it clear that "voluntary" kindness wasn't enough to protect people or the planet. This public anger is exactly why we ended up with the Companies Act in 2013, making India the first country to turn "doing good" into a legal requirement (Sarkar, J., & Sarkar, S. 2015).

## **II. Objectives of the Study:**

1. To examine the legal framework governing Corporate Social Responsibility in India.
2. To analyse the role of CSR in promoting social upliftment.
3. To identify the challenges in the implementation of CSR initiatives.
4. To suggest measures for improving the effectiveness and impact of CSR activities.

## **III. Research Methodology**

This research paper adopts a doctrinal research methodology, which involves a systematic analysis of legal texts, statutes, rules, and relevant judicial interpretations. The research is primarily based on secondary sources, including the Companies Act, 2013 and its associated rules, government reports and policy documents, academic journals, books, and other

scholarly writings, as well as Corporate Social Responsibility (CSR) reports published by various corporations. The doctrinal approach facilitates a critical examination of the legal framework governing CSR in India and enables an in-depth understanding of its structure, scope, and implementation. In addition to doctrinal analysis, the study incorporates an analytical method to assess the effectiveness of CSR initiatives in achieving their intended social and economic objectives, particularly in the context of social upliftment and sustainable development.

## **IV Results and Discussion:**

### **4.1 Legal Framework of CSR in India**

Section 135 of the Companies Act, 2013 constitutes the principal legal framework regulating Corporate Social Responsibility (CSR) in India, marking a transition from voluntary charitable practices to a mandatory corporate duty (Government of India, 2013). This provision applies to companies that meet specific financial thresholds- 1. a net worth of ₹500 crore or more, 2. or an annual turnover of ₹1,000 crore or more, 3. or a net profit of at least ₹5 crore in the three immediately preceding financial years. By establishing these criteria, the law ensures that financially significant corporations contribute meaningfully to social and national development.

Companies falling within the scope of Section 135 are required to establish a CSR Committee as part of their governance structure. This committee must consist of at least three directors, including a minimum of one independent director, thereby ensuring oversight and accountability. The CSR Committee is entrusted with formulating the company's CSR policy, identifying appropriate social initiatives, recommending the allocation of financial resources, and overseeing the implementation of CSR activities in accordance with the statutory requirements.

The Act further mandates that such companies allocate at least 2% of their average net profits from the preceding three financial years towards CSR initiatives. This requirement operates under a “comply or explain” framework, whereby companies that fail to meet the prescribed expenditure must provide valid reasons in their Board's report. This mechanism enhances transparency and accountability, ensuring that corporate entities remain answerable to stakeholders and the public for their contribution to social welfare (Government of India, 2013).

## **4.2 Modes of Implementation of CSR Activities**

Companies can carry out Corporate Social Responsibility (CSR) activities in different ways, giving them flexibility while ensuring accountability. They may implement CSR projects directly through their own registered organizations, such as a Section 8 company, trust, or society, which allows them to closely manage and monitor the work. Companies can also collaborate with government-established bodies like trusts or foundations set up by the Central or State Government, ensuring that their activities align with national development goals. Another option is to work with external agencies that have at least three years of experience in similar social work, which helps maintain quality and effectiveness. In addition, companies can join hands with other companies to carry out CSR projects together, but each company must separately report its spending and results (Ministry of Corporate Affairs, 2021). This system allows companies to contribute in meaningful ways while following legal rules.

## **4.3 Approved CSR Activities**

Schedule VII of the Companies Act, 2013 provides a list of activities that are considered valid under CSR. These include areas like education, healthcare, poverty reduction, gender equality, environmental protection, and rural development. The law is flexible and allows companies to design projects that suit social needs. Even activities related to emergencies, such as COVID-19 relief work, are considered valid CSR efforts (Government of India, 2013).

## **4.4 Implementation and Monitoring**

The Board of Directors is mainly responsible for ensuring that the company follows CSR rules. It must form a CSR Committee, approve the CSR policy, and make sure the required amount is spent on CSR activities. If the company is unable to spend the full amount, the Board must explain the reasons and transfer the remaining funds as required by law. The Board is also expected to give priority to local areas where the company operates, so that nearby communities benefit the most (Government of India, 2013).

The CSR Committee helps the Board by preparing and recommending the CSR policy, suggesting how much money should be spent, and monitoring the progress of CSR projects. It also ensures that all CSR details are properly included in the company's annual report. In some cases, the committee can have at least two directors if an independent director is not

required. Together, the Board and the CSR Committee ensure that CSR activities are carried out properly and responsibly.

#### **4.5 Amendments and Compliance Rules**

The *Companies (Amendment) Act, 2019* and later changes in 2020 made CSR rules stricter and more effective. One important change relates to unspent CSR funds. If the money is not used for a project, the company must transfer it to a government-approved fund within six months. For ongoing projects, unspent money must be placed in a special “Unspent CSR Account” within 30 days and used within three years; otherwise, it must be transferred to a government fund (Ministry of Corporate Affairs, 2021).

The amendments also introduced penalties for companies that do not follow CSR rules, including fines for both the company and its officers. Earlier, there was a proposal for imprisonment, but it was later removed. Another useful change allows companies to adjust extra CSR spending in one year against future CSR requirements. Overall, these changes have made CSR more transparent and accountable.

#### **4.6 CSR Trends and Coverage in India**

Studies show that companies in India mostly focus their CSR activities on areas that directly help people. According to a report by the Institute of Directors (2016), education and healthcare are the most common areas, each making up about 16% of CSR work. Other important areas include water supply, sanitation, and rural development, each contributing around 10%. This shows that companies prefer to invest in sectors that improve people’s daily lives, especially in rural and less developed areas.

#### **4.7 CSR Contribution**

From FY 2014–15 to FY 2023–24, corporate India has collectively spent an estimated ₹2.21 lakh crore (approx. USD 26.63 billion) on CSR initiatives. Since CSR came into effect in FY 2014–15, India has witnessed a steady and significant rise in Corporate contributions towards Social Responsibility. What began as a compliance-driven requirement has evolved into a sustained upward trend in CSR spending across the country. This decade-long investment underscores a profound and growing commitment by businesses toward addressing India’s pressing social, environmental, and developmental challenges. The graph below illustrates this impressive growth—from an initial spend of just over ₹10,000 crore in the first year to more than triple by FY 2023–24.

#### **4.8. Top 10 CSR-Contributing Companies in India**

In FY 2023–24, India's top 10 companies made a major impact on the national CSR landscape, collectively contributing about 17% of the total CSR expenditure. Their combined spending reached ₹5,857 crore, showing the significant role large corporates play in driving social and developmental initiatives. In comparison, when these top contributors are excluded, the average CSR spending per company drops sharply to ₹1.07 crore, revealing the wide gap between the capacities of large corporations and smaller firms (csr-annual-report annual report).

HDFC Bank emerged as the highest CSR contributor in FY 2023–24, maintaining its top position for the second consecutive year. The bank spent ₹922 crore, representing about 2.6% of India's total CSR expenditure. This marks a significant shift, as it ended the eight-year streak of Reliance Industries Ltd. as the country's leading CSR spender. HDFC Bank's continued leadership reflects changing priorities and growing financial commitment among India's largest corporates (csr-annual-report annual report).

Reliance Industries Ltd. ranked second in CSR spending for FY 2023–24, contributing ₹899 crore, which is about 2.5% of India's total CSR expenditure. Even though it no longer holds the top position, Reliance remains a major force in CSR, supporting a wide range of developmental initiatives (csr-annual-report annual report).

Tata Consultancy Services Ltd. (TCS) stood in third place with a CSR spend of ₹813 crore, forming nearly 2.3% of the national total. The company continues to emphasize education, digital literacy, and skill development, strengthening its long-term social impact (csr-annual-report annual report).

ONGC occupied the fourth position with a CSR expenditure of ₹612 crore, contributing around 1.8% to India's total CSR spending. Its programs traditionally focus on community welfare, healthcare, and environmental sustainability (csr-annual-report annual report).

Tata Steel ranked fifth, spending ₹573 crore, which accounts for almost 1.6% of the nation's CSR spending. The company continues its legacy of supporting tribal communities, livelihood promotion, and rural development. (csr-annual-report annual report).

Reliance Jio spent ₹403 crore on CSR, contributing roughly 1.2% of the national CSR total. The company's CSR investments primarily support digital access, education, and community empowerment (csr-annual-report annual report).

IOCL invested ₹436 crore in CSR activities, forming about 1.2% of India's total CSR spend. Its key focus areas include healthcare support, education, and clean energy initiatives(csr-annual-report annual report).

Infosys contributed ₹451 crore, which is nearly 1.3% of India's CSR expenditure. The company remains active in education, research, heritage conservation, and social innovation projects(csr-annual-report annual report).

ITC spent ₹380 crore on CSR, contributing close to 1.1% of the national total. Its projects mainly focus on sustainability, rural development, and community livelihood programs(csr-annual-report annual report).

ICICI Bank invested ₹368 crore, representing about 1.1% of India's total CSR spending. Its CSR initiatives largely emphasize financial literacy, skill development, and health services(csr-annual-report annual report).

Collectively, these top 10 companies demonstrate the critical role that large corporates play in driving India's CSR efforts. Their contributions not only influence the scale and reach of development projects but also set benchmarks for CSR commitment across the corporate sector. Their combined spending patterns reveal trends in priority sectors and highlight how major companies are shaping the national CSR ecosystem.

#### **4.9 CSR Spending in Different Areas in Society**

In FY 2023–24, most of India's CSR spending continued to focus on a few important development areas. Nearly 76% of the total CSR budget was used in five major sectors education, healthcare, environment, rural development, and livelihood programs. Together, these sectors received ₹26,484 crore, showing that companies are investing heavily in long-term community growth and nation-building.

Education received the highest share, with ₹12,135 crore, or 35% of total CSR spending. This shows that companies consider education the key to social progress. Their investments support scholarships, digital learning, school buildings, teacher training, and skill development. These efforts help improve literacy, build future employability, and strengthen India's overall human capital, which directly contributes to economic development(csr-annual-report annual report).

Healthcare was the second-largest sector, receiving ₹7,151 crore (20%). CSR funds in this area help improve hospitals, organise medical camps, support maternal and child care, and strengthen public health systems. Better healthcare leads to a healthier population, reduces disease burdens, and improves productivity and helping society grow stronger(csr-annual-report annual report).

Environmental sustainability received ₹2,430 crore (7%). Companies supported activities like tree plantation, water conservation, waste management, and renewable energy. These projects help protect natural resources, reduce pollution, and support climate goals, which are essential for a cleaner and safer future for communities(csr-annual-report annual report).

Rural development projects received ₹2,408 crore (7%). CSR spending in this area helps build roads, toilets, drinking water systems, and community facilities in villages. These improvements raise the standard of living in rural areas and reduce inequalities between urban and rural regions(csr-annual-report annual report).

Livelihood enhancement received ₹2,360 crore, also about 7% of total CSR spending. Companies funded skills training, women empowerment programs, self-help groups, and entrepreneurship support. These initiatives help people earn better incomes, become self-reliant, and contribute to India's economic growth(csr-annual-report annual report).

Overall, this distribution of CSR spending shows a clear and thoughtful strategy. By investing in education, health, the environment, rural development, and livelihoods, companies are helping to improve quality of life, reduce inequalities, create job opportunities, and support sustainable growth. CSR in India is becoming more focused on long-term impact, helping society progress in a meaningful and inclusive way.

#### **4.10. Challenges in CSR Implementation**

Although Corporate Social Responsibility (CSR) has created significant opportunities for social development in India, its effective implementation still faces several practical and structural challenges.

One of the main challenges in Corporate Social Responsibility (CSR) is that many companies treat it as a legal formality rather than a genuine responsibility. Instead of planning meaningful projects that create long-term impact, companies often focus only on spending the required 2% of their profits. This results in scattered efforts and reduces the overall effectiveness of CSR activities (Porter & Kramer, 2006).

Another important issue is the lack of proper monitoring and evaluation. Most companies report how much money they have spent on CSR, but they do not clearly measure the actual impact of their projects. Without proper evaluation, it is difficult to know whether the initiatives are truly helping people or solving real problems (Ministry of Corporate Affairs, 2021).

There is also a problem of uneven distribution of CSR funds. Companies usually spend more in areas where they operate, such as cities or industrial regions. As a result, remote and underdeveloped areas receive less attention and support. This creates regional imbalance and goes against the goal of inclusive development (Government of India, 2019).

Lack of transparency is another challenge. Some companies do not provide clear or complete information about their CSR activities. This makes it difficult for the public and stakeholders to understand how effectively the funds are being used and reduces trust in corporate efforts (Carroll, 1991).

Many CSR projects also focus on short-term results. Companies often prefer activities like one-time donations or short campaigns because they show quick results. However, such efforts do not create lasting change. Long-term projects in areas like education, healthcare, and skill development are more effective but are often neglected (Visser, 2010).

Limited involvement of local communities is another issue. CSR programs are sometimes planned without asking the people who will benefit from them. As a result, the projects may not match the real needs of the community, which reduces their effectiveness and sustainability (United Nations, 2015).

## **V. Conclusion**

Corporate Social Responsibility (CSR) in India has changed a lot over time. It is no longer just a voluntary activity but a legal responsibility under the Companies Act, 2013. This change has made CSR more organised and focused on real results. Companies are now moving away from one-time charity and are investing in long-term projects that improve people's lives, reduce inequality, and support sustainable development. Most CSR funds today are spent on important areas like education, healthcare, environment, rural development, and livelihood opportunities, which directly help communities grow.

Big companies play an important role in shaping CSR by contributing large amounts and setting good examples for others. They now understand that their growth is connected to the

well-being of society. CSR has also brought different groups together, such as companies, government bodies, NGOs, and local communities, to work towards common goals. However, some challenges still exist. CSR funds are not equally distributed, monitoring is often weak, reporting is not always clear, and some implementing agencies lack proper skills. These issues reduce the overall impact of CSR activities.

To improve the situation, companies need to plan their CSR work more carefully. Funds should be used in areas that are still underdeveloped. Better monitoring, proper evaluation, and the use of technology can help track progress and ensure accountability. Involving local people in planning and working with NGOs and government bodies can make projects more effective. Companies should also focus on long-term activities like skill development, women empowerment, renewable energy, and rural infrastructure instead of short-term efforts.

In conclusion, CSR in India has become a strong tool for bringing positive change. If it is carried out with proper planning, honesty, and community involvement, it can go beyond just a legal requirement and truly help in improving lives and creating a more equal and sustainable society.

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