

**INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES**
[ISSN 2581-5369]

Volume 9 | Issue 5

2026

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Corporate Social Responsibility in India: A Legal Examination

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ABSTRACT

Corporate Social Responsibility (CSR) is defined by the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended in 2021, as “the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act”. In simple terms, Corporate Social Responsibility means that companies have a duty to contribute ethically and positively to society while conducting their business. Corporate Social Responsibility draws on the Triple Bottom Line approach, which measures a company’s success along three dimensions, people, planet and profit, and not by financial gain alone. This article examines Corporate Social Responsibility from a legal perspective, discussing its evolution and how it is treated under Indian law. It also explains the role of law in promoting Corporate Social Responsibility, why companies should engage in Corporate Social Responsibility activities, and the challenges faced in implementing and enforcing Corporate Social Responsibility.

Keywords: *Corporate Social Responsibility, Companies Act, 2013*

I. INTRODUCTION

The role of corporations has changed greatly over the past century. Earlier, companies were created only to generate profits for their shareholders. Today, companies are closely connected with society. They are expected to pursue profit as well as the welfare of the society in which they operate, and this expectation forms the basis of Corporate Social Responsibility (CSR).

Globalisation, industrialisation and the increased influence of companies have given corporations a great impact on society. This has brought problems such as labour exploitation and environmental degradation, which raised the need for legal regulation to ensure that corporate power is exercised responsibly.¹ In response to such problems, Corporate Social Responsibility shifted from being a philanthropic, ethical practice to a legal obligation, India being one of the first countries to make CSR mandatory, through the Companies Act, 2013, which requires qualifying companies to spend at least 2% of their average net profits on CSR

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¹ Ramesh Kumar Singh, *Legal Aspect of Corporate Social Responsibility*, 15 EXCEL INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY MANAGEMENT STUDIES 1, 5 (2025), <http://www.zenithresearch.org.in/images/stories/pdf/2025/APRIL/EIJMMS/eijmr1april25.pdf>.

activities.² The CSR law applies to companies in India with a net worth of 5 billion rupees or more, a turnover of 10 billion rupees or more, or a net profit of 50 million rupees or more.³

A. Objectives of the study

1. To analyse Corporate Social Responsibility from a legal perspective.
2. To analyse the evolution of Corporate Social Responsibility.
3. To understand how Corporate Social Responsibility is treated in India.
4. To study the benefits of Corporate Social Responsibility to companies.
5. To understand the challenges faced in implementing and enforcing Corporate Social Responsibility.

II. EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is rooted in religious and cultural traditions such as charity and giving back to the community, and can be traced back to the industrial era, when businesses engaged in developmental activities in society such as building schools and health centres.⁴ Wealthy business families such as the Tatas and the Birlas, and industrialists such as Carnegie, gave back to the community through donations to education, healthcare and the underprivileged.⁵ These contributions were not legal obligations; they were voluntary, and were understood as an ethical duty attached to wealth. In the mid-twentieth century Howard Bowen, who is regarded as the father of Corporate Social Responsibility, advanced the idea that businesses have an obligation to serve society in his book *Social Responsibilities of the Businessman* (1953).⁶

The stakeholder theory of Freeman (1984) also holds a place in the evolution of Corporate Social Responsibility. This theory holds that companies should serve not only their shareholders but all their stakeholders, such as employees, customers and society.⁷ Globalisation brought with it the need for legal regulation, because the growth of multinational corporations came with environmental degradation, tax avoidance and labour exploitation, which led international

² *Legal Dimensions of Corporate Social Responsibility in India*, DRISHTI JUDICIARY (Nov. 14, 2024), <https://www.drishtijudiciary.com/blog/legal-dimensions-of-corporate-social-responsibility-in-india> (last visited Feb. 10, 2026); see also The Companies Act, 2013, § 135(5), No. 18, Acts of Parliament, 2013 (India).

³ The Companies Act, 2013, § 135(1).

⁴ Singh, *supra* note 1, at 5.

⁵ Yedhu Krishnan S, *Corporate Social Responsibility in India: A Constitutional and Legal Examination*, 7 INDIAN JOURNAL OF LAW AND LEGAL RESEARCH 2170, 2172 (2025), <https://www.ijllr.com/post/corporate-social-responsibility-in-india-a-constitutional-and-legal-examination>; see also *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

⁶ Singh, *supra* note 1, at 5.

⁷ Naincy Mishra, *Corporate Social Responsibility (CSR) Under Companies Act, 2013*, IPLEADERS (Apr. 8, 2024), <https://blog.ipleaders.in/csr-laws-india/>.

organisations such as the United Nations to formulate guidelines on responsible corporate behaviour.⁸

III. EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY IN INDIA

Mandatory Corporate Social Responsibility in India began in 2014, when Section 135 of the Companies Act, 2013 and the rules made under it came into force on 1 April 2014, making India one of the first countries to make Corporate Social Responsibility mandatory by law.⁹ Corporate Social Responsibility is mandatory for companies that meet certain financial criteria, which are required to spend a part of their profits on CSR activities.¹⁰

IV. TYPES OF CORPORATE SOCIAL RESPONSIBILITY

A. Economic responsibility

Economic responsibility means making sure that the company remains profitable while supporting social development.¹¹

B. Ethical responsibility

Ethical responsibility ensures that a company carries out fair and ethical business practices.¹²

C. Environmental responsibility

Environmental responsibility means making sure that the environment is preserved. It requires a company to ensure proper waste management, sustainability and the conservation of the environment.¹³

D. Philanthropic responsibility

Philanthropic responsibility ensures that the company contributes positively to society through volunteering, donations, education, healthcare and community development programmes.¹⁴

⁸ Yedhu Krishnan S, *supra* note 5, at 2173; Singh, *supra* note 1, at 6.

⁹ The Companies (Corporate Social Responsibility Policy) Rules, 2014, r. 1(2), G.S.R. 129(E) (Feb. 27, 2014) (India) (the Rules came into force on Apr. 1, 2014, the date from which Section 135 was also brought into force); Yedhu Krishnan S, *supra* note 5, at 2173; *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

¹⁰ The Companies Act, 2013, § 135(1), (5).

¹¹ Kumar Gaurav & Muskan Vaswani, *Corporate Social Responsibility and Its Legal Aspect in India*, 5 INTERNATIONAL JOURNAL OF LAW MANAGEMENT & HUMANITIES 2394, 2396 (2022), <https://ijlmh.com/paper/corporate-social-responsibility-and-its-legal-aspect-in-india/>.

¹² Gaurav & Vaswani, *supra* note 11, at 2396.

¹³ *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

¹⁴ Gaurav & Vaswani, *supra* note 11, at 2396; *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

V. CORPORATE SOCIAL RESPONSIBILITY UNDER INDIAN LAW

A. Section 135 of the Companies Act, 2013

This section is dedicated to Corporate Social Responsibility. It applies to companies with a net worth of 500 crore rupees or more, a turnover of 1,000 crore rupees or more, or a net profit of 5 crore rupees or more.¹⁵ These companies are required to constitute a CSR Committee of the Board consisting of three or more directors, to spend at least 2% of their average net profits of the three immediately preceding financial years on CSR activities, and to ensure that those activities fall within Schedule VII of the Act.¹⁶ These activities include eradicating hunger, poverty and malnutrition, promoting education, promoting gender equality, rural development projects and disaster management.¹⁷

VI. RECENT AMENDMENTS

A. The Companies (Amendment) Acts, 2019 and 2020

The Companies (Amendment) Act, 2019 and the Companies (Amendment) Act, 2020 made changes to Section 135 of the Companies Act, 2013.¹⁸ The major changes included the following:

- Penal provision for non-compliance with CSR. The 2019 amendment inserted sub-section (7) to make CSR compliance mandatory by penalising any company that defaults in complying with the CSR requirements; as substituted by the 2020 amendment, the sub-section imposes a monetary penalty on the company and on every officer in default.¹⁹

B. The 2021 CSR Rules amendment

- This amendment redefined CSR as the activities undertaken by a company in pursuance of its statutory obligation under Section 135, and excluded from it, among other things, activities undertaken in the normal course of the company's business.²⁰

¹⁵ The Companies Act, 2013, § 135(1); Mishra, *supra* note 7.

¹⁶ The Companies Act, 2013, § 135(1), (3)(a), (5).

¹⁷ The Companies Act, 2013, sch. VII, items (i)–(iii), (x), (xii).

¹⁸ The Companies (Amendment) Act, 2019, No. 22, Acts of Parliament, 2019 (India); The Companies (Amendment) Act, 2020, No. 29, Acts of Parliament, 2020 (India).

¹⁹ The Companies Act, 2013, § 135(7). Sub-section (7) was inserted by the Companies (Amendment) Act, 2019 and substituted by the Companies (Amendment) Act, 2020; in its present form a defaulting company is liable to a penalty of twice the amount it was required to transfer to a fund specified in Schedule VII or to its Unspent Corporate Social Responsibility Account, or one crore rupees, whichever is less, and every officer in default to one-tenth of that amount or two lakh rupees, whichever is less. *See also* Mishra, *supra* note 7; Yedhu Krishnan S, *supra* note 5, at 2175.

²⁰ The Companies (Corporate Social Responsibility Policy) Rules, 2014, r. 2(1)(d) (as substituted by the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, r. 2, G.S.R. 40(E) (Jan. 22, 2021)) (India); *An*

- The amendment introduced new definitions, such as “administrative overheads” and “ongoing project”, and specified the implementing agencies through which a company may undertake its CSR activities.²¹

C. The 2022 CSR Rules amendment

- A company that has any amount in its Unspent CSR Account must constitute a CSR Committee. The amendment also removed the exemption that allowed a company which had ceased to meet the eligibility thresholds of Section 135(1) for three consecutive financial years to dispense with its CSR Committee.²²

D. The 2025 CSR Rules amendment

- The old e-form CSR-1 was replaced by a new and updated e-form CSR-1 with effect from 14 July 2025. CSR-1 is the mandatory online registration that trusts, societies and other entities must complete before they can undertake CSR activities with corporate funding.²³
- Entities receiving CSR funds must register, disclosing their registration and tax-exemption details, and file a declaration certified by a practising professional, in order to promote transparency.²⁴

VII. CONSTITUTION OF THE CSR COMMITTEE

Under Section 135(1) of the Companies Act, 2013, the CSR Committee of the Board must consist of at least three directors, at least one of whom must be an independent director.²⁵ There is, however, an exception, stated in the proviso to Section 135(1) and in rule 5(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014: where a company is not required by law to appoint an independent director, its CSR Committee shall have two or more directors from among its existing directors.²⁶

Brief Overview on Corporate Social Responsibility, LAWBHOO MI (May 24, 2021), <https://lawbhoomi.com/an-brief-overview-on-corporate-social-responsibility/> (last visited Feb. 10, 2026).

²¹ The Companies (Corporate Social Responsibility Policy) Rules, 2014, *supra* note 20, rr. 2(1)(b), (i), 4(1) (as substituted in 2021); Singh, *supra* note 1, at 3.

²² The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022, G.S.R. 715(E) (Sept. 20, 2022) (India) (amending r. 3 of the Companies (Corporate Social Responsibility Policy) Rules, 2014).

²³ The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, G.S.R. 452(E) (July 7, 2025) (India) (substituting Form CSR-1 with effect from July 14, 2025). Registration in Form CSR-1 has been compulsory since Apr. 1, 2021: The Companies (Corporate Social Responsibility Policy) Rules, 2014, *supra* note 20, r. 4(2)(a) (as substituted in 2021).

²⁴ The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025, *supra* note 23.

²⁵ The Companies Act, 2013, § 135(1); *Legal Framework for Corporate Social Responsibility in India*, BENNETT UNIVERSITY (Oct. 16, 2024, 18:09 IST), <https://www.bennett.edu.in/media-center/blog/legal-framework-for-corporate-social-responsibility-in-india/>.

²⁶ The Companies Act, 2013, § 135(1) proviso; The Companies (Corporate Social Responsibility Policy) Rules, 2014, *supra* note 9, r. 5(1)(i)–(ii); *An Brief Overview on Corporate Social Responsibility*, *supra* note 20.

A foreign company's CSR Committee must consist of at least two persons, one of whom must be a person resident in India who is authorised to accept documents on the company's behalf, and the other a person nominated by the foreign company.²⁷

VIII. FUNCTIONS OF THE CSR COMMITTEE

- The Committee formulates and recommends to the Board a Corporate Social Responsibility Policy, which indicates the CSR activities to be undertaken by the company.²⁸
- The CSR Committee recommends to the Board the amount of expenditure to be incurred on CSR activities.²⁹
- The CSR Committee also monitors the CSR Policy of the company from time to time.³⁰
- It also ensures legal compliance, that is, that CSR activities fall within the scope of Schedule VII and that unspent CSR amounts are dealt with according to law.

IX. ROLE OF LAW IN PROMOTING CORPORATE SOCIAL RESPONSIBILITY

- Making compliance mandatory. The Companies Act, 2013 makes CSR mandatory for companies having a specified net worth, turnover or net profit, so that they contribute to social development, and thereby recognises CSR as a legal obligation.³¹
- Defining the scope and nature of CSR activities. The law clearly identifies what valid CSR activities are. These are set out in Schedule VII of the Companies Act, 2013, to ensure that CSR funds are spent on the right activities.³²
- Ensuring enforcement through penalties. The law secures compliance by imposing monetary penalties on companies that fail to comply with the CSR provisions.³³
- Judicial interpretation. Courts have also been called upon to interpret the CSR provisions.

²⁷ The Companies (Corporate Social Responsibility Policy) Rules, 2014, *supra* note 9, r. 5(1)(iii); The Companies Act, 2013, § 380(1)(d); *An Brief Overview on Corporate Social Responsibility*, *supra* note 20.

²⁸ The Companies Act, 2013, § 135(3)(a); Mishra, *supra* note 7.

²⁹ The Companies Act, 2013, § 135(3)(b).

³⁰ The Companies Act, 2013, § 135(3)(c).

³¹ Albert Debbarma, *Corporate Social Responsibility and Company Law: A Legal Perspective*, 7 INTERNATIONAL JOURNAL FOR MULTIDISCIPLINARY RESEARCH 1, 3 (2025), <https://doi.org/10.36948/ijfmr.2025.v07i06.61520>; *see* The Companies Act, 2013, § 135(1), (5).

³² The Companies Act, 2013, sch. VII; Singh, *supra* note 1, at 6.

³³ The Companies Act, 2013, § 135(7); Debbarma, *supra* note 31, at 3.

- Sustainable development. The law promotes CSR as a tool for achieving sustainable development. It does so by enforcing labour laws, environmental laws and human rights, which require companies to operate not only for profit but also for the benefit of society.

X. WHY A COMPANY SHOULD IMPLEMENT CSR POLICIES

- It improves the company's reputation. CSR promotes a good public image of the company, since the company is seen as ethical, and so builds trust among stakeholders such as investors, customers and employees.³⁴
- It attracts investment. A company that observes CSR policies wins the trust of investors, as such policies signal good governance and lower risk.³⁵
- It reduces legal risk. Complying with CSR policies helps companies to avoid penalties and public outrage over unethical practices.³⁶
- It secures legal compliance. Undertaking CSR policies helps companies to comply with the law as required under Section 135 of the Companies Act, 2013.³⁷
- It strengthens stakeholder relationships. CSR helps companies to build strong and healthy relationships with employees, customers, shareholders and society.³⁸
- It promotes employee satisfaction. Employees are motivated to work for an organisation that implements CSR activities, since it is considered a socially responsible organisation.³⁹
- It gives a competitive advantage.⁴⁰

XI. CHALLENGES FACED BY COMPANIES IN IMPLEMENTING CORPORATE SOCIAL RESPONSIBILITY

- Financial constraints. CSR activities require funds, which small organisations facing financial difficulties may find difficult to allocate.⁴¹
- Absence of expertise. Some companies do not have trained personnel to plan and implement CSR activities effectively.

³⁴ *Legal Framework for Corporate Social Responsibility in India*, *supra* note 25; Mishra, *supra* note 7.

³⁵ Debbarma, *supra* note 31, at 4; *An Brief Overview on Corporate Social Responsibility*, *supra* note 20.

³⁶ Mishra, *supra* note 7; *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

³⁷ The Companies Act, 2013, § 135.

³⁸ Gaurav & Vaswani, *supra* note 11, at 2400.

³⁹ Mishra, *supra* note 7; *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

⁴⁰ Gaurav & Vaswani, *supra* note 11, at 2400; Debbarma, *supra* note 31, at 4.

⁴¹ Singh, *supra* note 1, at 8.

- Difficulty in measuring impact. Companies sometimes find it hard to measure whether their CSR activities actually benefit society.⁴²
- Image over substance. Some companies see CSR merely as a way of improving their public image rather than of genuinely contributing to social welfare, which reduces the effectiveness of CSR.⁴³
- Monitoring and transparency issues. It is sometimes very difficult for companies to monitor, document and report CSR activities, which makes CSR implementation ineffective.⁴⁴
- Complexity of the legal requirements. Some companies find it challenging to understand and comply with the CSR requirements of Section 135 of the Companies Act, 2013, such as those on the CSR Committee, reporting and spending on CSR activities.⁴⁵

XII. CHALLENGES FACED BY AUTHORITIES IN ENFORCING CORPORATE SOCIAL RESPONSIBILITY

- Difficulty in monitoring and supervision. It is difficult for regulatory authorities to monitor whether every company is implementing CSR activities, since many companies are required by law to engage in CSR.⁴⁶
- Limited administrative capacity. Authorities such as the Ministry of Corporate Affairs and the Registrar of Companies may face staff shortages, which make CSR enforcement difficult.⁴⁷
- Reliance on companies' self-reporting. Regulatory authorities depend on the information that companies disclose in their annual reports, and that information may have gaps.⁴⁸
- Difficulty in assessing impact. It is hard for authorities to determine whether the funds spent by companies on CSR activities have actually created an impact.⁴⁹

⁴² Singh, *supra* note 1, at 11–12.

⁴³ *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2; Singh, *supra* note 1, at 11.

⁴⁴ *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

⁴⁵ Gaurav & Vaswani, *supra* note 11, at 2399; Singh, *supra* note 1, at 10.

⁴⁶ Singh, *supra* note 1, at 11.

⁴⁷ See Singh, *supra* note 1, at 10.

⁴⁸ *Legal Dimensions of Corporate Social Responsibility in India*, *supra* note 2.

⁴⁹ Singh, *supra* note 1, at 11–12.

- Problems of interpretation. CSR provisions are interpreted differently in similar cases, which makes CSR difficult to enforce.⁵⁰
- Difficulty in balancing compliance and business freedom. Regulatory authorities must ensure that companies comply with the CSR provisions without interfering in their business activities or discouraging investment.⁵¹

XIII. CONCLUSION

CSR has shifted from a voluntary concept to a legal obligation for all companies that meet the specified requirements. Mandatory participation in CSR activities acknowledges that companies are not merely profit-making entities but social institutions that should contribute to the development of society and of their other stakeholders. Through provisions such as Section 135, Schedule VII and the CSR Rules, the law clarifies the scope of CSR activities, their implementation and the consequences of non-compliance with CSR obligations. Seen through a legal lens, CSR promotes good governance by ensuring transparency and accountability in the company. It continues to show that it is possible for companies to balance economic growth with social welfare and sustainable development, and that, since companies benefit from society's resources, they have a legal and moral duty to give back by contributing to the common good of society.⁵²

⁵⁰ Singh, *supra* note 1, at 10.

⁵¹ See Yedhu Krishnan S, *supra* note 5, at 2176–77.

⁵² Saniya Sayyed, *Corporate Social Responsibility in India: A Constitutional Perspective*, 9 INT'L J. NOVEL RSCH. & DEV. a637, a638 (2024), <https://www.ijnrd.org/papers/IJNRD2404079.pdf>.