

# CORPORATE SOCIAL RESPONSIBILITY: LEGAL MANDATE OR MORAL OBLIGATION

## Abstract

Corporate Social Responsibility (CSR) in India has undergone a dramatic transformation – from being an ethical or philanthropic exercise to becoming a statutory obligation under the Companies Act, 2013. This research paper seeks to critically examine whether CSR, in its current legal form, is being genuinely internalised by corporations as a moral responsibility or merely complied with as a mandatory legal directive. The study evaluates the effectiveness of CSR initiatives in addressing key societal challenges and draws upon both doctrinal and empirical methodologies.

The paper begins by tracing the historical evolution of CSR, both globally and in India, highlighting the philosophical underpinnings of ethical capitalism and stakeholder theory. The legislative framework introduced through Section 135 of the Companies Act is analysed in detail, along with subsequent rules and judicial interpretations. To assess the real-world impact of CSR, the study integrates data from the Ministry of Corporate Affairs with crime statistics from the National Crime Records Bureau (NCRB). It attempts to establish correlations between corporate spending in areas such as women's safety, education, child welfare, and skill development with reported crime rates in these sectors.

Findings reveal a mixed outcome: while some sectors show visible improvements and better engagement from corporate, others reflect a disconnect between CSR allocation and grassroots needs, particularly in rural or high-crime regions. The analysis also shows that CSR initiatives tend to cluster in regions already well-resourced, thereby neglecting underdeveloped, high-risk areas that need intervention the most.

This paper concludes by advocating for a stronger alignment between CSR planning and social justice indicators, improved accountability mechanisms, and a reframing of CSR not just as a legal compliance measure but as an ethical imperative for corporate citizenship in India.

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**Keywords :** Corporate Social Responsibility (CSR), Companies Act 2013, Moral Obligation, Legal Compliance, NCRB Data, Crime and CSR, Corporate Ethics, Stakeholder Theory, India, Corporate Governance

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## Introduction

In recent years, the notion of Corporate Social Responsibility (CSR) has transitioned from a voluntary act of corporate benevolence to a cornerstone of sustainable business practice, particularly in emerging economies like India. CSR broadly refers to a corporation's initiatives to assess and take responsibility for the company's effects on environmental and social well-

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being. It incorporates a wide array of activities ranging from philanthropic donations to more structured interventions in areas such as education, healthcare, women's empowerment, and environmental conservation<sup>3</sup>.

India stands out as the first country in the world to legislate CSR through a formal legal mandate. Section 135 of the Companies Act, 2013 mandates that every company meeting specified financial thresholds must allocate at least 2% of their average net profits from the last three financial years towards CSR activities, as defined in Schedule VII of the Act<sup>4</sup>. The policy was envisioned not just as a means of increasing corporate accountability but as a deliberate step toward inclusive growth. As the MCA Annual CSR Report (2022-23) highlights, the total CSR expenditure by eligible companies in India has crossed Rs. 26,210 crore since the inception of the mandate<sup>5</sup>.

The Indian CSR mandate, however, raises a pertinent debate: Has CSR truly evolved into a form of moral and ethical obligation embraced by corporations in the spirit of nation-building, or is it primarily treated as a regulatory burden to be ticked off for compliance purposes? The question becomes particularly relevant when CSR programs are examined in light of their real-world societal impact, especially in areas afflicted by crime, poverty, and underdevelopment.

The importance of CSR within the Indian socio-legal context also lies in its potential to act as a non-state mechanism of social welfare delivery, particularly where state capacities are strained. CSR ideally bridges gaps in development, serving sectors such as education, sanitation, environmental sustainability, and gender justice. However, disparities in CSR allocations across regions, sectors, and industries raise concerns about whether such initiatives are driven by genuine social concern or corporate image-building strategies<sup>6</sup>.

This research seeks to critically examine the functioning of CSR in India from both legal and ethical perspectives, raising the core question: Is CSR in India functioning more as a legal mandate or a genuine moral obligation? In doing so, it aims to interrogate the current CSR regime, its enforcement mechanisms, and whether it delivers tangible benefits to society, especially in vulnerable sectors where crimes and social injustices persist.

## Objectives of the Study

1. To explore the historical and legal evolution of CSR, particularly in the Indian context.
2. To examine perception and implementation of CSR by companies as an ethical responsibility or merely a compliance measure.
3. To correlate CSR spending in sectors like women's safety, education, health, and child welfare with NCRB data on related crimes to evaluate its societal effectiveness.
4. To recommend legal, administrative, and ethical reforms for improving CSR impact in India.

## Methodology

This study adopts a hybrid methodology, integrating both doctrinal and empirical approaches:

- **Doctrinal Analysis:** It includes the study of statutory provisions (Section 135, CSR Rules), rules, government reports, scholarly articles, and case law.
- **Empirical Analysis:** This involves the examination of:
  - CSR spending data (from the Ministry of Corporate Affairs' CSR portal,

3 Carroll, Archie B. "Corporate Social Responsibility: Evolution of a Definitional Construct." *Business & Society*, vol. 38, no. 3, 1999, pp. 268-295

4 "Section 135 of the Companies Act, 2013." Ministry of Corporate Affairs, Government of India. <https://www.mca.gov.in/content/mca/global/en/acts-rules/ebooks/companies-act-2013.html>

5 "Annual Report on Corporate Social Responsibility 2022-2023." Ministry of Corporate Affairs. [https://csr.gov.in/assets/images/pdf/CSR\\_Annual\\_Report\\_2022-23.pdf](https://csr.gov.in/assets/images/pdf/CSR_Annual_Report_2022-23.pdf)

6 Singh, Amit, and Sanjay Mohapatra. "Mandatory CSR Spending in India: The Idea, the Law, and the Reality." *Indian Journal of Corporate Governance*, vol. 13, no. 1, 2020, pp. 1-17

company annual reports, and the India CSR Outlook Report).

- Crime data from the National Crime Records Bureau (NCRB), especially in domains like crimes against women, children, juvenile delinquency, education-related offenses, and bonded labour.

The aim is to identify patterns between corporate social investments and crime trends in relevant sectors or geographies. For example, does increased CSR spending on women's welfare correlate with a reduction in crimes against women in certain regions? Or, do areas with significant CSR initiatives in education and vocational training show lower youth-related crimes?

This unique correlation between corporate legal compliance and public crime data enables a holistic evaluation of CSR – not just as a legal tool, but as a potentially transformative moral force.

## Conceptual Framework of CSR

The concept of Corporate Social Responsibility (CSR) has developed globally as a response to the growing realization that businesses are not merely economic entities, but also social institutions accountable for their impact on communities and the environment. The modern CSR discourse began with Howard Bowen's influential 1953 publication *Social Responsibilities of the Businessman*, often cited as the foundation of CSR thinking<sup>7</sup>. Internationally, it has since evolved through global frameworks such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, and ISO 26000, which emphasize ethical conduct, human rights, labour standards, and sustainability<sup>8</sup>. In India, CSR has deeper roots in traditional practices and the Gandhian concept of trusteeship, where wealth was seen as a trust for the welfare of society, and industrialists such as the Tatas and Birlas were pioneers in corporate

philanthropy<sup>9</sup>. However, CSR remained largely voluntary until the legislative milestone of the Companies Act, 2013, which introduced Section 135, making CSR spending mandatory for companies with a net worth of 500 crore, turnover of 1000 crore, or net profit of 5 crore or more<sup>10</sup>. The Companies (CSR Policy) Rules, 2014, and later amendments added detailed procedural compliance, bringing consistency and legal enforceability to CSR practices<sup>11</sup>. Theoretical frameworks such as Freeman's Stakeholder Theory argue that corporations must balance the interests of all stakeholders, not just shareholders, while Carroll's Pyramid of CSR identifies four levels of responsibility: economic, legal, ethical, and philanthropic<sup>12</sup>. Meanwhile, the Gandhian model continues to shape India's moral approach to CSR, anchoring it in indigenous values of service and equity. While the legal mandate has enhanced corporate contributions and transparency, critics caution that such compulsion may strip CSR of its ethical essence, reducing it to a formalistic obligation rather than a sincere commitment to social justice<sup>13</sup>. This tension—between law and morality—forms the core dilemma explored in this study.

## Legal Framework of CSR in India

India's Corporate Social Responsibility regime is legally codified under Section 135 of the Companies Act, 2013, marking a landmark shift by making CSR a statutory requirement rather than a voluntary gesture. As per this provision, every company having a net worth of Rs. 500 crore or more, turnover of Rs 1000 crore or more, or a net profit of Rs. 5 crore or more in a financial year is required to constitute a CSR committee, formulate a CSR policy, and spend at least 2% of the average net profits of the past three years on activities listed in Schedule VII<sup>14</sup>. This legal obligation was operationalized through the Companies (Corporate Social Responsibility Policy) Rules, 2014, which defined eligible activities,

7 Bowen, Howard R. *Social Responsibilities of the Businessman*. University of Iowa Press, 1953

8 "ISO 26000 – Social Responsibility." International Organization for Standardization, [www.iso.org/iso-26000-social-responsibility.html](http://www.iso.org/iso-26000-social-responsibility.html)

9 Goyal, Pawan, and Keshab Das. "Corporate Social Responsibility in India: The Gandhian Legacy." *Asian Journal of Business Ethics*, vol. 7, 2018, pp. 49–70

10 "Section 135 of Companies Act, 2013." Ministry of Corporate Affairs, Government of India



implementation modalities, and the format for CSR reporting<sup>15</sup>. The framework was further strengthened by the Companies (Amendment) Act, 2021, which introduced penal provisions for non-compliance—making CSR default a civil offense liable for fines, and holding officers in default accountable<sup>16</sup>. Regulatory oversight is primarily exercised by the Ministry of Corporate Affairs (MCA), which maintains a centralised CSR portal ([csr.gov.in](http://csr.gov.in)) for public disclosure and monitoring. Additionally, the Securities and Exchange Board of India (SEBI) mandates listed companies to include CSR disclosures in their Business Responsibility and Sustainability Reports (BRSR), promoting transparency and environmental-social governance (ESG) compliance. Judicial interpretations of CSR remain limited, but in cases such as *Technip India Ltd. v. Union of India*, courts have acknowledged the binding nature of CSR rules in the context of corporate accountability<sup>17</sup>. While courts have not deeply scrutinized CSR spending disputes, they have reinforced the statutory duty of companies to act within the spirit of the law and the broader constitutional mandate of inclusive growth. Thus, India's legal framework for CSR combines mandatory financial commitment, regulatory enforcement, and growing judicial recognition, although its ethical core continues to depend on genuine corporate intent.

### CSR as a Tool of Social Responsibility vs. Corporate Compulsion

The dual character of Corporate Social Responsibility (CSR) in India—as both a moral expectation and a statutory requirement—continues to stir debate among policymakers, scholars, and industry leaders. On one hand, CSR is promoted as an ethical obligation grounded in stakeholder theory and Gandhian

values of trusteeship; on the other, it is legally mandated under Section 135 of the Companies Act, 2013, with structured reporting, penalties for non-compliance, and scrutiny by regulatory bodies. This juxtaposition has led to a comparative assessment of CSR as a voluntary societal commitment versus a formalized legal compulsion. Critics of mandatory CSR argue that such obligations may foster tokenism and box-ticking exercises, where companies undertake superficial projects merely to meet compliance norms, rather than engaging in transformative social investment that leads to sustainable community development. In fact, several reports indicate that CSR projects are often concentrated in already developed areas, while marginalized regions remain under-served, revealing a compliance-driven rather than need-based approach.

An important aspect of this discourse lies in understanding corporate behaviour before and after the 2013 legal mandate. Prior to the legislation, CSR was practiced mostly by legacy firms with a culture of philanthropy, such as the Tatas, Birlas, and Infosys. Post-legislation, while CSR spending has increased significantly, questions remain regarding intent, impact, and authenticity. In response, many firms have adopted structured CSR policies within their corporate governance frameworks, linking CSR with Environmental, Social, and Governance (ESG) metrics and including board-level CSR committees.

Importantly, the concept of CSR is no longer confined to corporate entities alone. It is being increasingly interpreted as a shared social responsibility across institutional domains, including educational institutions and civil society organizations. This expansion from strict legal

11“Companies (Corporate Social Responsibility Policy) Rules, 2014.” Ministry of Corporate Affairs

12Carroll, Archie B. “The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders.” *Business Horizons*, vol. 34, no. 4, 1991, pp. 39–48

13Singh, Amit, and Sanjay Mohapatra. “Mandatory CSR Spending in India: The Idea, the Law, and the Reality.” *Indian Journal of Corporate Governance*, vol. 13, no. 1, 2020, pp. 1–17

14 “Section 135 of Companies Act, 2013.” Ministry of Corporate Affairs

15 “Companies (Corporate Social Responsibility Policy) Rules, 2014.” Ministry of Corporate Affairs

16 “SEBI Circular on Business Responsibility and Sustainability Reporting.” Securities and Exchange Board of India, May 10, 2021

17 *Technip India Ltd. v. Union of India*, (2015) 5 Comp LJ 350 (Del HC)

compliance to a deeper societal ethos signifies a growing moral consciousness. A recent study published in *Unnati – The Business Journal* illustrates how academic institutions are voluntarily engaging in drug abuse prevention campaigns, counselling drives, and public health interventions—even in the absence of any legal obligation under CSR laws<sup>18</sup>. Their proactive role in combating the drug menace highlights the broader principle that CSR is evolving into a collective institutional value, transcending corporate statutes and embedding itself within the ethical fabric of social governance. Thus, while legal mandates ensure minimum compliance, it is only through ethical commitment that CSR can truly become a force for inclusive and sustainable development.

### **Empirical Analysis: CSR Spending and Societal Impact with Reference to NCRB Data**

To assess the tangible impact of Corporate Social Responsibility (CSR) beyond regulatory compliance, it becomes essential to correlate corporate social investments with measurable societal outcomes. This section aims to explore whether CSR spending in critical areas such as education, health, women and child welfare, and skill development has any observable correlation with trends in crime data, as published by the National Crime Records Bureau (NCRB). The study draws on CSR spending data accessed from the Ministry of Corporate Affairs (MCA) CSR portal, annual reports of listed companies, and repositories such as India CSR Outlook Reports. Parallely, NCRB reports from recent years (2020–2022) provide detailed crime statistics across categories including crimes against women and children, bonded labour, juvenile offenses, cybercrimes, and education-related crimes.

The central analytical inquiry is threefold: First, has increased CSR investment in specific social sectors, such as women's empowerment or education, led to a decline or stagnation in crime

rates within those sectors? Second, is there a regional mismatch between the concentration of CSR spending and the actual burden of crime in underserved or high-risk areas? Third, do public-private partnerships, such as those involving corporate support to NGOs or educational institutions, reflect better crime prevention outcomes or systemic improvements?

Preliminary illustrations reveal complex dynamics. For instance, in states like Maharashtra, Gujarat, and Karnataka, where CSR funds are consistently high, there have been visible investments in women's safety programs, education infrastructure, and skill centres. However, NCRB data for the same states still reflect high rates of crimes against women and juveniles, suggesting a potential disconnect between CSR fund allocation and grassroots needs. In contrast, CSR interventions targeted at urban slums in Delhi and Mumbai—such as vocational training and digital literacy campaigns—have coincided with modest declines in juvenile delinquency, hinting at context-specific success. Moreover, in regions like Rajasthan and Chhattisgarh, low CSR funding despite high rates of bonded labour and child trafficking demonstrates a geographic imbalance, wherein corporate investment does not align with local social vulnerabilities.

This analysis highlights the need for evidence-based CSR planning, where crime statistics and developmental indicators can inform fund allocation. It also reinforces the value of collaborative governance, where corporate actors partner with government agencies, local institutions, and NGOs to design interventions that are both legally compliant and socially transformative. Aligning CSR with crime-sensitive data can help bridge the gap between formal compliance and meaningful societal impact, thus reinforcing CSR's role not just as a statutory requirement but as an instrument of targeted social reform.

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18 "Social Responsibility of Educational Institutions to Contribute Efforts in Combating Drug Menace in Country." *Unnati – The Business Journal*, vol. 10, no. 2, July–Dec. 2022, pp. 63–70. ISSN 2319-1740. <http://www.businessjournal.ac.in/2022/second.aspx>

19 "Crime in India 2022." National Crime Records Bureau, Ministry of Home Affairs, Government of India, <https://ncrb.gov.in/CSRDataandReports/> Ministry of Corporate Affairs – National CSR Portal, <https://csr.gov.in>

## Case Studies of CSR in Practice

Examining real-world case studies offers crucial insights into how Corporate Social Responsibility (CSR) operates beyond statutory mandates and reflects a company's philosophy of social engagement. The Tata Group, often hailed as a pioneer in socially responsible business, has historically exemplified a trusteeship model of CSR. Through initiatives like Tata Trusts, the group has invested in education, healthcare, tribal development, and rural livelihood projects long before CSR became a legal obligation. Notably, programs like the Tata Water Mission and Tata STRIVE (a skill development initiative) have demonstrated measurable long-term impact, particularly in rural and underserved areas, showing how CSR can be embedded in business philosophy and not just annual budgets<sup>20</sup>. In contrast, the Reliance Foundation provides an example of modern CSR aligned with global development goals, especially the UN Sustainable Development Goals (SDGs). The foundation's programs in disaster relief, digital literacy, rural transformation, and women empowerment demonstrate how corporate can contribute to systemic change through scalable, data-driven models. Its partnerships with government bodies and NGOs reflect how strategic CSR planning can create multi-sectoral impact<sup>21</sup>.

However, not all CSR initiatives produce the intended outcomes. A notable instance of CSR misreporting involved certain listed companies that declared CSR compliance on paper, but diverted or underutilized funds, as found in a 2020 audit report by the Comptroller and Auditor General (CAG)<sup>22</sup>. In some cases, projects were hastily implemented in the final quarter of the fiscal year or targeted urban centres for visibility, ignoring the needs of vulnerable rural areas. Such failures underscore the importance of CSR audits and independent third-party evaluations, which can verify whether the objectives set out in CSR policies are being met in practice. The 2021 amendment to CSR law in India also emphasized

mandatory reporting and penalties for non-compliance, reinforcing the need for credible, transparent implementation. Hence, while flagship programs by companies like Tata and Reliance illustrate CSR's transformative potential, failed projects highlight the risks of treating CSR as a box-ticking exercise rather than a sustained commitment. Robust monitoring mechanisms, outcome-based evaluation, and stakeholder feedback are essential to ensure that CSR initiatives remain aligned with both legal mandates and moral imperatives.

## Challenges in CSR Implementation

Despite its legal institutionalization and growing prominence in corporate discourse, the implementation of Corporate Social Responsibility (CSR) in India continues to face several systemic challenges. One of the most significant barriers is the lack of awareness and strategic expertise within many companies, especially mid-sized and newly qualifying firms, in designing and executing meaningful CSR projects. Many entities struggle to identify community needs, choose appropriate implementing agencies, or align initiatives with long-term developmental goals. Additionally, there have been widespread concerns about over-reporting and under-utilization of funds, where companies formally disclose allocated CSR budgets but fall short of deploying them effectively or within the fiscal year, sometimes carrying them forward indefinitely. Prior to the 2021 amendment, which introduced penalties for non-compliance and emphasized fund transfer to designated accounts, there was no direct statutory consequence for such underutilization, which allowed for symbolic compliance without measurable impact.

Another pressing issue is the geographic concentration of CSR spending. Reports consistently show that the lion's share of CSR investments is directed towards metro cities and industrially developed regions, such as

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20 "Impact Stories." Tata Trusts, <https://www.tatatrusts.org/our-work/impact-stories>

21 "Programs and Initiatives." Reliance Foundation, <https://www.reliancefoundation.org>

22 "Performance Audit Report on Implementation of CSR by Companies." Comptroller and Auditor General of India, 2020. [https://cag.gov.in/uploads/download\\_audit\\_report/2020/CSR\\_Report\\_2020-06106e75067e34f](https://cag.gov.in/uploads/download_audit_report/2020/CSR_Report_2020-06106e75067e34f)



Maharashtra, Gujarat, Karnataka, and Tamil Nadu—often where company headquarters are located<sup>23</sup>. Meanwhile, backward and high-need states such as Jharkhand, Chhattisgarh, and parts of the North-East continue to be overlooked, leading to inequitable development outcomes. This disconnect between legal compliance and genuine community participation undermines the transformative potential of CSR. Furthermore, in many cases, CSR initiatives are decided at the board level without involving local stakeholders or conducting proper needs assessments, resulting in misaligned projects that lack community ownership. The earlier absence of direct penal provisions also contributed to a culture of complacency, where CSR was seen as a low-risk compliance matter rather than a key governance issue. It was only with the Companies (Amendment) Act, 2021 that non-compliance was recognized as a civil offense, empowering regulators to impose penalties and reinforcing the accountability framework<sup>24</sup>. To overcome these challenges, there is a need for capacity-building, decentralised planning, outcome-based evaluation, and participatory monitoring, ensuring that CSR evolves into a truly inclusive and impactful tool of social transformation.

## Conclusion and Suggestions

### Conclusion

- Corporate Social Responsibility has been legally institutionalized in India through Section 135 of the Companies Act, ensuring structured reporting and increased visibility of social initiatives.
- Despite increased corporate spending, CSR often functions as a compliance measure rather than a value-driven, community-responsive practice.
- There is a visible gap between legal mandates and ethical corporate behavior, with many initiatives failing to generate long-term, measurable social impact.
- CSR is gradually expanding beyond the corporate sector to include educational

institutions and civil society actors, reinforcing its potential as a broader societal value.

- Legislation alone cannot foster meaningful corporate ethics; a balance between legal compulsion and moral responsibility is essential.
- India's CSR framework is at a transitional phase, requiring both structural reforms and a shift in institutional intent to ensure inclusive and sustainable development.
- Future research should focus on evaluating CSR outcomes using social justice indicators and exploring the role of collaborative governance in enhancing impact.

### Suggestions

- Introduce a CSR crime impact index to evaluate whether CSR funds in areas like women's safety, education, and youth development are contributing to reduction in related crimes.
- Make it mandatory for companies to align CSR projects with Sustainable Development Goals and measure outcomes based on specific social indicators.
- Decentralise CSR planning and implementation by involving local governments, NGOs, and beneficiary communities in project design and monitoring.
- Implement a CSR credit system to reward companies undertaking projects in underdeveloped or high-crime areas, thus incentivising socially sensitive investment.
- Establish graded penal provisions that distinguish between minor reporting delays and deliberate CSR fund misutilisation or non-compliance.
- Encourage third-party audits and impact assessments for CSR projects to ensure transparency, accountability, and community relevance.
- Promote data-driven governance in CSR by integrating CSR data with national databases on development, education, and crime trends.

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23 "India CSR Outlook Report 2022." CSRBOX & NGOBOX, <https://csrbox.org>

24 "Companies (Amendment) Act, 2020-2021." Ministry of Corporate Affairs