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Prasanna S,

Chairman of Institute of Legal Education

No. 08, Arul Nagar, Seera Thoppu,

Maudhanda Kurichi, Srirangam,

Tiruchirappalli – 620102

Phone : +91 94896 71437 – info@iledu.in / Chairman@iledu.in



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THE CONCEPT OF CSR IN INDIA

AUTHOR – YASHODA B. PUROHIT, STUDENT AT MKES COLLEGE OF LAW

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INTRODUCTION

Corporate Social Responsibility (CSR) has become a vital part of business strategies for leading organizations worldwide. While there is no universally accepted definition, CSR broadly reflects the idea of businesses taking responsibility for their impact on society and the environment. The idea of CSR is philanthropic which include concepts like sustainability, corporate citizenship, shared value, and business accountability. In the Indian context, CSR has become increasingly significant, especially with the implementation of statutory requirements.

What is CSR?

According to UNIDO (United Nations Industrial Development Organisation), “Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (Triple-Bottom-Line- Approach), while at the same time addressing the expectations of shareholders and stakeholders.”^[9] Corporate Social Responsibility (CSR) is of the ideology that businesses have a responsibility to give back to society as they benefit and grow. It goes beyond charity or mere donations, it is a approach of companies to run their business while helping society and protecting the environment. By leveraging resources such as

raw materials and human talent from society, businesses aim to create a positive impact in return.

In India, the concept of CSR is well-established, with brands like TATA , Reliance group focusing on community welfare and shared value. The Bhopal Gas Tragedy serves as a reminder of the consequences of neglecting social responsibility, highlighting the critical need for businesses to prioritize the well-being of the communities they operate in. CSR serves as a tool for fostering sustainable growth. Companies that prioritize social commitments often gain customer trust and loyalty, ensuring long-term success. CSR, therefore is not just about doing good but also about doing business in a way that benefits society as a whole.

Legal Framework of CSR

Section 135 of the Companies Act, 2013, makes CSR mandatory for companies that meet certain financial criteria. This include any company of:

⁹United Nations Industrial Development Organisation, <https://www.unido.org/our-focus-advancing-economic-competitiveness-competitive-trade-capacities-and-corporate-responsibility-corporate-social-responsibility-market-integration/what-csr>

- a net worth of INR 500 crore or more,
- a turnover of INR 1,000 crore or more or
- a net profit of INR 5 crore or more.^[10]

Companies meeting these thresholds must spend at least 2% of their average net profits from the last three financial years on CSR activities.^[11] The law also requires these companies to form a CSR committee within their board. This committee is responsible for planning and monitoring CSR activities of their company. To ensure transparency, companies must include details of their CSR work in their annual reports.^[12] This makes CSR an important part of corporate governance in India.

The Act also defines the activities that qualify as CSR and provides guidance on the types of projects companies can undertake to meet their CSR obligations.^[13] These activities are organized into twelve broad categories which are as follows:-

1. Eradicating hunger, poverty, malnutrition along with promoting healthcare (including preventive care), sanitation, including contribution to Swach Bharat Kosh set up by central govt. and making available safe drinking water.
2. Promoting education, special education, vocational skills especially among children, women, elderly and the differently abled.
3. Promoting gender equality empowering women, homes for orphans/seniors, and reducing inequalities inequalities faced by socially and economically backward groups.
4. Ensuring environmental sustainability, conservation of natural resources, agroforestry, maintaining quality of soil, air, water including contributions to the Clean Ganga Fund setup by central government.
5. Protecting national heritage, art including restoration of historical sites and setting up of public libraries, and promotion of traditional handicrafts.

6. Support for armed forces veterans, war widows, and their dependents.
7. Promoting rural, national, Paralympic sports, and Olympic sports.
8. Contributions to Prime Minister's National Relief Fund, PM CARES, or similar funds set up by the central government for socio economic development and relief and welfare of the backward classes, minorities and women.
9. Contributions to incubators or Research and Development projects in the field of science, technology, engineering and medicine and also contributions to public funded universities in conducting research promoting Sustainable Development Goals (SDGs).
10. Development projects in rural areas.
11. Improving declared slum areas.
12. Disaster Management including relief, rehabilitation and reconstruction efforts.

National Corporate Social Responsibility (CSR) Data Portal¹⁴

The National Corporate Social Responsibility (CSR) Data Portal is a platform launched by the Ministry of Corporate Affairs, Government of India. It aims to provide easy access to CSR data and information submitted by companies registered in India. This portal helps share details about the social responsibility activities of businesses, making it easier for the public to stay informed.

Penalty:

In case a company fails to comply with the provisions relating to CSR spending, transferring and utilising the unspent amount, the company will be punishable with a penalty of Rs.1 crore or twice the amount required to be transferred by the company to the CSR fund specified in Schedule VII of the Act or the Unspent Corporate Social Responsibility Account, whichever is less.^[15]

¹⁰ Subsection (1) of Section 135 of The Companies Act, 2013

¹¹ Subsection (5) of Section 135 of The Companies Act, 2013

¹² Subsection (4) of Section 135 of The Companies Act, 2013

¹³ SCHEDULE VII of The Companies Act, 2013

¹⁴ <https://www.csr.gov.in/content/csr>

¹⁵ Subsection (7) of Section 135 of The Companies Act, 2013

Further, every officer of such company who defaults in compliance will be liable to pay Rs.2 lakh or one-tenth of the amount required to be transferred by the company to CSR fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, whichever is less.^[16]

Indian Companies and CSR Initiatives

CSR in India is now seen as a way for companies to grow while making a positive impact on society. Hence, Indian companies are involved in many CSR activities, such as improving education, healthcare, protecting the environment, and helping rural communities. Companies such as HDFC Bank, Tata Groups, Reliance Industries, ICICI Bank, ONGC, and Infosys rank among the top CSR spenders in India.^[17]

Infosys:

The CSR goals of the company include education, healthcare, rural development, environmental conservation, and heritage restoration. Sudha Murty, Chairperson of the Infosys Foundation (former), highlights the importance of passion and commitment in Corporate Social Responsibility (CSR).^[18] Under the 'Swachh Vidyalaya' program in Bhubaneswar, the Infosys Foundation constructed toilets in 109 government schools. The foundation has also funded free joint replacement surgeries for retired teachers suffering from arthritis at Sparsh hospital in Bangalore, under the 'Guru Namana' initiative. Additionally, the Infosys Foundation funded the restoration of three ancient stepwells at Rashtrapati Nilayam in Hyderabad, the official retreat of the President of India. This project aims to preserve India's architectural heritage.^[19] Also as part of the 'Library for Every Rural School' program, Infosys Foundation donated books worth INR 10 lakh to rural schools, promoting literacy and education.

Tata Group:

The CSR goals of Tata Group focus on education, healthcare, rural development, environmental sustainability, heritage conservation, and community welfare. For over 150 years they have been serving the communities in which they operate. In 2024, the Tata Group continued its commitment to Corporate Social Responsibility (CSR) across various sectors. Tata Power announced plans to invest up to \$9 billion to quadruple its renewable energy capacity to over 20 gigawatts (GW) within the next five to six years which aligns with India's goal to add at least 500 GW of clean energy by 2030 to reduce emissions. Ratan Tata initiated the establishment of the Tata Trusts Small Animal Hospital in Mumbai, which is dedicated to provide advanced medical care for pets, reflecting Tata's personal commitment to animal welfare. Tata Chemicals conducted impact assessments of seven CSR projects implemented between FY 2020-21 and FY 2022-23 to evaluate their effectiveness and sustainability.^[20] These initiatives demonstrate the Tata Group's commitment to creating long-term value for the society.

Reliance Industries Limited (RIL):

The CSR goals of Reliance Industries Limited (RIL) aims to promote sustainable growth through initiatives focused on rural transformation, healthcare, education, youth development, women's empowerment, and disaster resilience. In FY2023-2024 the company spent ₹1,592 crore on CSR activities.^[21] RIL developed 1,229 climate-resilient villages across 24 districts in eight states, promoting sustainable agricultural practices and resource management. Over 9.29 million people benefited from health initiatives, including preventive and public healthcare services.^[22] It positively impacted over 23,000 young

¹⁶ Subsection (7) of Section 135 of The Companies Act, 2013

¹⁷ CSR Expenditure/ <https://www.csr.gov.in>

¹⁸ Sudha Murty's interview with CSRLive, <https://www.infosys.org/infosys-foundation/newsroom/csr-requires-passion-commitment.html>

¹⁹ <https://www.infosys.org/infosys-foundation/newsroom.html>

²⁰ Annual Report on CSR Activities, <https://www.tatachemicals.com>

²¹ Corporate Social Responsibility, <https://www.ril.com/about/corporate-social-responsibility>

²² Corporate Social Responsibility Report 2023-24, <https://rilstaticasset.akamaized.net>

individuals across India through scholarships, with 48% awarded to girls. Reliance Foundation also assisted million people through disaster management initiatives since inception, providing immediate relief and fostering resilience. All these initiatives reflect RIL's dedication to sustainability, positively impacting approximately 76 million lives through its CSR activities to date.^[23]

Judicial Insights into CSR Practices

*Parikh Enterprises Private Ltd, In Re*²⁴

Court: National Company Law Tribunal (NCLT)

Key Issue: The obligations of companies under Section 135 of the Companies Act, 2013, concerning Corporate Social Responsibility (CSR).

Facts of the case:

- The NCLT examined whether Parikh Enterprises Pvt. Ltd. complied with the requirements under Section 135 of the Companies Act, 2013, which mandates the formation of a CSR committee and the implementation of a CSR policy.
- The case focused on whether the company had appropriately constituted a CSR committee and framed a policy for carrying out its CSR activities in accordance with the law.

Major Highlights:

- The NCLT emphasized that companies falling within the scope of Section 135 must ensure compliance with the statutory obligations laid out in the Companies Act, which includes the formation of a CSR committee and creation of a CSR policy.
- It is obligatory for qualifying companies to allocate a percentage of their profits toward CSR activities and report the same to the shareholders.

- The tribunal stressed that forming a CSR committee is not just a recommendation but a legal requirement. The CSR committee should frame a CSR policy and ensure that the company's CSR initiatives align with the areas listed in Schedule VII of the Act.

*Charan Singh Meena v. Union of India*²⁵

Court: Madhya Pradesh High Court

Key Issue: The constitutional validity of Section 135 of the Companies Act, 2013 mandating Corporate Social Responsibility (CSR).

Facts of the case:

- The petitioner, Charan Singh Meena, challenged the constitutional validity of Section 135 of the Companies Act, 2013, which requires certain companies to spend a portion of their profits on CSR activities.
- The petition questioned whether the provision, which makes CSR expenditure mandatory for qualifying companies, violated constitutional principles, particularly in relation to corporate freedom and economic autonomy.

Major Highlights:

- The Madhya Pradesh High Court upheld the constitutional validity of Section 135, affirming that the Companies Act, 2013 is well within the legislative competence of Parliament.
- The Court concluded that the mandatory CSR provisions aim to promote corporate responsibility and social welfare, which fall under the parliamentary authority to legislate for the public good.

Conclusion

Corporate Social Responsibility (CSR) in India has become an essential part of how businesses contribute to the well-being of society. With the mandate introduced by Section 135 of the Companies Act, 2013

²³ Corporate Social Responsibility, <https://www.ril.com/about/corporate-social-responsibility>

²⁴ <https://www.casemine.com/judgement/in>

²⁵ <https://www.casemine.com/judgement/in>

companies are required to dedicate a portion of their profits towards sustainable development which also ensures that businesses go beyond profits and actively engage in addressing social issues.

To further strengthen CSR in India, companies should integrate social responsibility into their core business strategies ensuring that initiatives align with long-term goals and create sustainable impact. Collaborative partnerships with NGOs, government bodies, etc can enhance the effectiveness of Corporate Social Responsibility programs by addressing complex social and environmental challenges. Additionally, promoting transparency through regular reporting and impact assessments will build trust and accountability. Companies should focus on empowering local communities through skill development and capacity building to ensure lasting benefits.

