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MISUSE AND MANIPULATION OF CSR FUNDS: LEGAL GAPS AND ENFORCEMENT CHALLENGES

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ABSTRACT

Corporate Social Responsibility (CSR) in India was conceived as a mechanism for translating corporate success into real social good. Ever since it was made obligatory in a statutory form under Section 135 of the Companies Act in 2013, it has mandated some companies to set aside a proportion of their profits for socially beneficial initiatives. While the intent was praiseworthy, the results have been, on the whole, disappointing. Untoward incidents relating to the misuse of CSR funds, politicization of initiatives, and opaque practices have been commonplace, and raise serious issues about accountability and the adequacy of the legal framework. This article addresses these issues in the context of practices in private and public sectors and illustrates how weak enforcement and self-reporting create a social responsibility deficit. Other than self-reporting, the author addresses the potential of compliance audits, judicial activism, and policy reforms to improve the direction of funds and social profitability. Through a review of literature, statutory analysis and study of compliance frameworks, the paper highlights the pernicious gap between genuine CSR and mere financial outlay.The objective is to develop a governance model that fosters real social accountability, enhances openness, and propels CSR in India from a mere compliance-focused activity to a catalyst for enduring social change.

Keywords:

Corporate Social Responsibility, CSR fund diversion, India, Section 135 Companies Act 2013, accountability, transparency, audit mechanisms, political influence, legal enforcement

1.Introduction: The Promise and the Paradox of CSR in India

When India became the first country to mandate corporate social responsibility spending through Section 135 of the Companies Act, 2013, it marked a transformative moment in corporate governance. The legislation was and still is a bold experiment in social engineering, a statutory attempt to redistribute corporate wealth to India's poor. The legislation had one expectation - profitable companies would contribute to addressing malnutrition, education, environmental sustainability, rural development, and other components of the country's development agenda.

The story CSR in India is a success. By the end of the financial year 2021-22, companies were spending more than 24,000 crores annually on CSR. On the face of it, this was a huge, unprecedented flow of private resources for public good. The legislation was a flag-bearer for social justice and inclusive growth and for the first time, made a legal connection between corporate profit and societal wellbeing.

What are the negatives of corporate philanthropy? Investigative reports have

revealed the existence of shell NGOs that divest funding, parliamentary committees have pointed out major CSR wrongdoing within public sector undertakings, and the registrar of auditors has described the creations and the avoidance of "specified activities" so absurdly that one would laugh if the situation was not so serious. Reportedly, CSR funds have been allocated and classified within the described "community" of beneficiaries for political branding, personal enrichment, and other uses that have little relevance to the real needs of the communities.

Such a situation is the result of the paradox that India has created the greatest legal framework and the most complex structure around corporate philanthropy. The situation is absurdly prevalent within CSR compliance, where one is said to "perform" philanthropy, especially during assessment. Reports show impact performance metrics that exceed spend and offerings that do not match the hype. The major impact is consistently hidden and downplayed, only to be countered by the so-called "CSR performances" that are advertised. The most publicized and promoted project usually generates the least relevant output.

This article investigates a fundamental issue within the context of India's CSR landscape: Whether obligatory CSR has become a compliance ritual without the possibility of delivering social value. It seeks to understand whether the first such legislation in India has delivered on its promise or created a parallel economy of tokenism and diversion that benefits all but the intended recipients. This is attempted through an analysis of the legislation and its documented misuse and abuses, political capture, and the absence of systemic accountability.

2. Legal Framework Governing CSR Expenditure

The pillars on which the architecture of India's CSR regime has been built are three: Section 135 of the Companies Act, 2013; Schedule VII which lists the CSR activities permissible; and the Companies (Corporate Social Responsibility Policy) Rules, 2014, which were significantly amended in 2021.

Section 135 delineates a basic obligation. Any company whose net worth is ₹500 crores or more or whose net profit is ₹5 crores or more in the immediately preceding financial year, or whose turnover is ₹1,000 crores or more, is legally obligated to form a CSR Committee of its Board. This Committee has to devise a CSR policy and recommend it to the Board, specifying the activities the company intends to undertake in accordance with Schedule VII, and advising the quantum of expenditure the company ought to incur. Thereafter, the Board has to ensure that the company spends not less than two percent of the average net profits of the company for the preceding three financial years on CSR activities.

Schedule VII has a very wide net. It includes the activities of elimination of hunger and poverty, promotion of education, empowerment of women, environmental protection, and the preservation of the national heritage, and even activities related to rural development and armed forces veterans. This width was undoubtedly aimed to allow corporations the liberty to tailor their CSR spending to their business acumen, and their presence in the local area. However, this liberty has also provisioned for liberal interpretation in the opposite direction and for misuse.

The Companies Act 2014 and its multiple amendments till 2021 focused on improving oversight in Corporate Social Responsibility (CSR). Companies are required to report their expenditure on CSR in an acceptable format, report on any shortfalls, and indicate if any impact assessments were conducted on projects more than ₹1 crore and were active for more than a year. Amendments in 2021 were more aggressive in closing older loopholes that permitted unspent CSR amounts to be carried forward indefinitely. Unsurprisingly, unspent CSR amounts are required to be shifted to defined recipient entities within defined timeframes.

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Most significantly, the Ministry of Corporate Affairs (MCA) continues to be the single most important primary authority, with powers to inspect, investigate, and extent of punishment pertaining to non-compliance. Annual CSR disclosures are the responsibility of the Registrar of Companies and the Central Government issues clarifications that guide enforcement in practice.

It is this mandatory quality that makes India's case unique. Prior to 2014, CSR was a voluntary activity, undertaken intermittently by companies for image building or out of genuine philanthropy. The Companies Act made it a legal requirement. This gives rise to perplexity because, while it is not a tax, CSR spending is not entirely voluntary either. Does the law require generosity? Is the law charity's keeper? Is the law charity's keeper?

These are not idle, academic questions. They determine how companies look at CSR, either as reluctant compliance or devoted enthusiasm. While the legal framework seeks to impose the former, it hopes to stimulate the latter, creating a gap that most of the ensuing dysfunction exploits.

3. Patterns of Misuse and Diversion of CSR Funds

Surprisingly, the most thorough account of CSR abuse has not come from civil society watchdogs or the investigative press but from the state itself. The Comptroller and Auditor General's performance audit of CSR functions in certain Central Public Sector Enterprises, presented to Parliament in 2020, reads like a catalogue of creative accounting and deliberate misdirection.

The audit studied nineteen CPSEs across different sectors and discovered a pattern of abuse and neglect of elementary CSR principles. Some shifted resources to activities that were not included in the permissible categories of Schedule VII. Others ran expenditures through implementing agencies and then created such weak oversight and control that it became impossible to ensure that the funds were spent on the target beneficiaries. Many PSUs also earned CSR credits for activities that were plain business expenses and were then disguised as social welfare—the proverbial having the cake and eating it too.

Take the case of routing CSR funds through affiliated trusts or NGOs that are controlled by the company's family. A company sets up or identifies an implementing partner—typically an entity with overlapping management or ownership structures. CSR funds are transferred to this partner who then implements the projects at hugely marked-up costs and with no or little transparency about the real expenditures on the project. The company meets its legal requirement, the implementing partner generates profit, and 'everyone' is compliant on paper. The question of what impact, if any, was created by the funds spent at the project site is the hardest to answer.

The pandemic triggered another concerning pattern. With COVID-19 raging in 2020 and devastating communities, the government expanded Schedule VII to include disaster management and relief activities for the government. During this time, companies quickly reassigned their CSR funds to pandemic response activities, and while this was a commendable shift in direction, the documentation indicates that a lot of the funds went to activities that were at best, only loosely related to COVID relief, and at worst, completely unrelated. For instance, some companies bought protective equipment for their facilities and then claimed CSR credit for it, while others funded awareness campaigns in which their branding was more prominent than the health messaging.

And then there's the relentless issue of project cost inflation. A government school building that would cost ₹50 lakhs suddenly becomes a ₹2 crore CSR project. The gap is absorbed in consultancy fees and administrative overheads, and vendor markups that would make even

conventional procurement officers blush. With CSR projects not governed by public procurement rules and companies claiming up to 5% of total CSR expenditure as administrative overheads, there is more than enough incentive for this cost inflation to occur.

In addition to the previously mentioned opportunities for manipulation, "in-kind" contributions allow for discretion. A firm donates equipment or services, and for CSR, they consider them as contributions at retail value. Whether the donated equipment was useful surplus inventory, obsolete and worthless equipment, or really useful, becomes irrelevant to the accounting exercise. The CSR report shows full value attributed, and the actual social value is still ignored.

Even more insidiously, CSR activities focus on self-promotion rather than community value. Skill development training for workers is to the company's own supply chain. Teaching programs primarily serve the children of employees. Healthcare camps operate in areas of company business. These may have community value, but they are close to CSR and corporate focus in a way that undermines their potential community value.

In total, these examples divert resources that would support poor or marginalized communities. When CSR spending becomes an end in itself, the temptation to cut corners is real, and the impact evaluation becomes more and more irrelevant.

4. Political Influence and Patronage in CSR Implementation

Perhaps the most troubling dysfunction within India's CSR regime is the politicization of CSR spending. What is supposed to be social development on the part of corporations is frequently social development disguised as patronage.

Public Sector Undertakings (PSUs) illustrate this issue. The politically appointed boards and management of PSUs make decisions that steer the entire PSUs in predetermined political paths. Government actors responsible for the governance of PSUs also set the political development priorities, while potential political constituencies within the PSU's CSR spending might be politically motivated.

Geographic PSU CSR spending patterns offer insight into this politicization. Academic studies analyzing CSR spending find focused distribution in politically significant districts or states during election periods. For example, a coal company might devote disproportionate CSR spending to coal-bearing states that are politically aligned with the ruling party, or an oil PSU may choose to focus on politically significant territories for its refinery locations.

The way this operates remains discreet. A company is never told directly which locations to allocate their spending. Rather, it is implied through informal channels like board meetings, ministry consultations, or other administrative frameworks. Companies do pick up on the fact these 'hints' are meant to be followed. Consequently, the CSR spending results along the political geography instead of according to the development priorities.

Another form of political influence is through the selection of NGOs. In India, the number of NGOs has significantly increased, some of which have a definite political leaning, whether through a political party tie or through ideological affinity. When such NGOs enter into CSR partnerships, the social development and political mobilization functions are fused. Money that is supposed to be used for community-building may serve to lay a political network, build a patron-client system, and generate electoral advantages.

Incorporating CSR spending alongside government flagship schemes is driven by placed complexities. When companies are encouraged or 'gently nudged' to reconcile their CSR actions with initiatives like Swachh Bharat, Skill India, and Smart Cities, it meets government objectives but can shift attention away from urgent local issues. A company may have recognized sanitation as a genuine

community concern, but is directed to constructing Swachh Bharat toilets that photograph nicely instead of helping to address complex issues of water supply, waste management, and behavioral change that fundamentally determine sanitation outcomes.

Aligning with government schemes is not inherently problematic. Synergy can enhance impact, minimize duplication, and utilize resources that complement one another. The risks occur, however, when such alignment becomes coercive and when it prioritizes political optics over developmental impact. Or when it allows CSR spending to become a bypassed funding stream for government 'sure-win' initiatives, which public funding remains disproportionately unaccounted for.

Private companies also have to deal with political influence. Obtaining regulations, securing contracts, and making deals is all about keeping a government good and close a control. When companies are suggested to spend on socially responsible initiatives with government favorable partners, companies do their cost/benefits analyses. No is a risk and a 'yes' guarantees a safe passage. Therefore, CSR spending becomes a form of CSR. Used within the political economy.

Two tragedies are to be had. One involves poorly allocated political resources, which results in the underdevelopment of political and electoral communities. The second involves the grave corrupting of CSR as a tactic, when the primary driver of their CSR initiatives is political influence.

5. Transparency and Accountability Deficits

Despite the laws, India's CSR initiatives lack the transparency to succeed. It is the 'what' and 'who' of disclosure that drives the failure of the system.

The annual CSR report, included as part of a company's Board Report, is the main vehicle for disclosure. This report must include the CSR policy, committee composition, average net profit, prescribed CSR expenditure, the amount spent, reasons for shortfalls (if any), and a responsibility statement from the CSR Committee Chair. This seems fairly comprehensive. However, in practice, these reports tend to be largely self-reported, poorly standardized and infrequently verified.

Think about what these reports are missing. There are no requirements to provide disaggregated data showing how much was spent on each activity, or in each region. There are no obligations to disclose the qualifications of implementing partners, or the criteria used to choose them. No independent validation is required to prove that a project has been completed, or that a project has reached the intended beneficiaries. Companies can and do meet disclosure requirements with figures that, when aggregated, are meaningless in terms of actual on-the-ground data.

The broad language of Schedule VII aggravates the problem of opacity. Phrases like "in the area of" with respect to education or health care or rural development provide huge interpretative leeway. This allows a company to argue that any spending that is remotely connected to these sectors can be claimed as CSR spending. Without detailed project documentation and independent verification, such claims are difficult to challenge.

The impact assessment requirement introduced in 2021 was meant to address this gap. Impact assessments by independent agencies must now be undertaken for initiatives that are over a year old and that spend over ₹1 crore. In principle, this ought to provide a neutral appraisal of whether CSR investments are resulting in some social value. But it is in the details of execution that the problems lie. Who determines these independent evaluators? What methods do they use? Are the findings published? In the case of an unsuccessful assessment of social impact, what accountability is demanded of implementing partners? Do clients just abandon the project and move to the next one?

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From the available evidence, it appears that impact assessments are being undertaken for the sake of compliance, and not for genuine evaluative purposes. Companies hire consulting firms for assessments, and the assessments are based on outputs (schools built, people trained, beneficiaries covered) not the outcomes (learning improvements, employment generation, sustained behavioral change). The methodology sections are superficial, counterfactuals are missing, and the conclusions are bound to be positive.

Real-time public disclosure is still unrealistic. Unlike public expenditure—which is passed on to parliamentary committees (and thus receives scrutiny), undergoes CAG audits, and is accessible via Right to Information requests—CSR spending happens in a black box. With the annual reporting cycle, information still arrives a year late. There is no centralized, searchable, real-time database that allows a citizen to track how much a company committed to CSR, how much it actually spent, on what activities, through which partners, what results were achieved, and what activities were counted.

These transparency deficits create the wrong incentives. Companies place disproportionate attention on easily reportable and easy-to-photograph activities, even if they are less likely to make a real difference. Implementing partners aim to generate documents that are satisfactory to the reporting requirements rather than pursuing the real transformational outcomes. The supposed beneficiaries—communities and constituents that CSR claims to serve—have no visibility on what is being done in their name, and thus no way to demand accountability.

6. Weaknesses in Audit and Enforcement Mechanisms

Enforcement mechanisms within the CSR regime in India are gentle and relatively soft for a mandatory statutory obligation. Unlike tax laws, where tax evasion generates prosecution; or environmental regulation, where penalties are endogenously triggered as one violates the law; in the case of CSR compliance, minimal state enforcement is required, and reliance is primarily on the good faith of the corporates.

The Ministry of Corporate Affairs has the power to inspect, investigate, and enforce penalties for non-compliance. Still, relative to the scale of the CSR universe, the MCA's enforcement bandwidth is limited. Considering the scale of the coverage, the tens of thousands of companies mandated to comply with CSR law and spend tens of thousands of crores, the monitoring of compliance will require capabilities and capacity of institutions that simply do not exist.

The penalties that do exist are focused on non-spending or non-reporting, not on ineffective or fraudulent spending. A company that has not disbursed its mandated spending on CSR and has not transferred it to exempted funds is liable to face penalties. There are prosecution clauses for the company that fails to file the CSR report. But a company that monetarily disburses the mandated CSR to tokenistic projects that have zero social impact, no statutory violation is committed, as long as the activities are framed within Schedule VII.

The omission of commission law creates a distortion whereby a company has little to no legal consequence as long as it spends the required amount on plausibly qualifying CSR activities. Report filing indicates a company has spent something socially useful, and the law, legally, cannot do anything further.

The CAG for public sector undertakings is the CAG, and their audits can catch irregularities, as demonstrated by the 2020 audits. However, CAG's results lead to administrative action, parliamentary oversight, and ultimately non-prosecutable criminal sanctions. Companies receive negative marks, and management defaults on self-defensive promises of 'corrections.' There is little legal or financial consequence for persistent problem behaviors, and the administrative cycle can repeat itself, as evidenced by the 2020 audits.

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The oversight of private companies is even less. For statutory audits, the auditors check if required CSR expenditure is spent and whether CSR reports match the financial reports. There is little to no verification as auditors are gatekeepers. They do not verify the social impact of projects, check if implementing partners delivered services, or even deal with project implementation. That would require field audits, beneficiary surveys, and verification mechanisms beyond standard financial auditing scope.

Not having a dedicated authority for enforcing CSR is a major structural issue. Tax administration employs the Income Tax Department; the Central Pollution Control Board and State Pollution Control Boards manage compliance with environmental laws; and the Food Safety and Standards Authority of India oversees Food Safety. For Corporate Social Responsibility (CSR), with over ₹24,000 crore annually, there is no specialized regulator with investigation authority, technical know-how, and enforcement capabilities.

The absence of enforcement is particularly concerning given that CSR is compulsory. The state mandates corporate spending and thus CX expects the spending to align with the intended goals. Light regulation is appropriate when CSR is voluntary. Companies will self-regulate as reputational boosters align with authentic social engagement; once corporate social responsibility is compulsory, the environment of incentives alters entirely. Commitment is replaced by compliance and, performance is the only goal without appropriate enforcement.

What is needed is more than just enforcement with tougher penalties; the absence of wasteful spending must be controlled. This requires appropriate institutional development and a change in the existing regulation from spending control to impact control

7. Judicial and Policy Perspectives on CSR Accountability

Given its scale and the disputes surrounding it, it is surprising that there has been limited engagement with the judiciary on the issue of CSR. The few instances where courts have considered CSR provisions tend to relate to the interpretation of the statutes and disputes on the governance of the company, and to a great extent, there is a lack of enforcement CSR standards and accountability frameworks.

In the matters of Tech Mahindra Foundation v. Union of India and the connected matters, courts have considered the definitional aspects of permissible CSR activity, whether a certain project is to be covered under Schedule VII, and the nature of the governance and control relations between the CSR committee and the board of directors on the company. These cases have certainly provided clarity on the administrative aspects but have failed to fundamentally question whether the achieved objectives of the implemented CSR regime meets the objectives of the applicable legislation.

The absence of deeper engagement with the accountability aspects of CSR on the part of the most judiciary is, most probably, the way the issues have been framed. In most instances, the disputes that reach courts are on the very narrow question of statutory compliance, e.g., whether a company spent the mandatory sum, whether a particular activity is covered under Schedule VII, and whether the company has fulfilled the reporting requirements. These technical questions are hardly ever relevant to the large issue of social impact that ought to result from CSR expenditure.

This poses a specific set of challenges. Do courts have the competency to determine if a corporation's philanthropy is performing the social developmental function? A judge may have the ability to form the legal constructs of statute interpretation and gauge compliance to the law, but assessing social impacts is a different area. It is an area of expertise that

courts simply do not have. The result is that, within the realm of social impacts, courts can only assess the legality of an action and not the effectiveness.

Some judgments from the High Courts have, if only peripherally, acknowledged that in the context of CSR, there is more to be done than a legal box-ticking exercise. In the public interest litigation cases concerning governance of a corporation, judicial analysis has positioned CSR obligations within the scope of the social responsibilities of the corporation, inter alia, the CSR obligations. However, the observations remain, primarily, within the realm of the judicial discourse, not converting into a tangible judicial precedent.

The lack of important public interest litigation cases concerning the misuse of CSR is, in itself, telling. One might projection that, for public interest litigation, there is strategic evidence concerning the diversion of CSR resources. One might also consider that the diversion of resources for CSR and the litigation pertaining to it, have absently articulated legal guardians that are performing gatekeeper functions.

The engagement of policy discourse has been extended further. For example, Parliamentary standing committees have, on an ongoing basis, reviewed the implementation of CSR, listening to government ministry officials and staff from the private sector and civil society organizations. Their reports recognize the gaps in transparency, challenges with enforcement, and the need to develop stronger accountability frameworks. However, there is a relative absence of civil action and legal reform in response to the recommendations provided by the legislature.

The amendments to the CSR Rules in 2021 were an attempt to address the most critical policy gaps. These amendments tried to mitigate misuse by mandating that larger projects undertake impact assessments, unspent amounts be transferred to earmarked accounts within a defined period, and a tightening of the disclosure requisites. Whether or not these amendments will be effective will depend on enforcement and, to date, there is evidence to suggest that compliance is more ceremonial.

Both the judiciary and policy engagement lack a thorough analysis of whether mandatory CSR makes sense. If spending simply to spend isn't effective, does generating mandatory expenditure achieve social goals or just the formation of a compliance industry? If diversion is the norm, does the existence of a statute do more damage than good by legitimizing the practice of tokenism? These questions, and others like them, are largely absent in the policy and other relevant commentaries.

8. Recommendations: Towards a Stronger CSR Governance Regime

To redesign the presently defunct and dysfunctional parts of the CSR framework in India, there is a need for cross-the-board integration of legal, administrative, and functional integration. These recommendations are intended to preserve some of the corporate discretion around the social expenditures of CSR, and not eliminate autonomy in decision making functions of the mandated and spending CSR.

Mandatory Third-Party Audits: It is currently the case that CSR projects are subjected to minimal external verification. All CSR projects above ₹ 50 lakhs complacently repose because of the legal requirement. Empaneled agencies, where selection and processes are transparent, should do mandatory, third-party, technical, and financial audits. Audits should attest to the implementation of audits, the reasonableness of costs, and the outreach to beneficiaries of the project and the report. Audits should be public documents, and one copy should be sent to a relevant authority. Companies should not be deemed compliant until independent verification confirms that expenditure translated to ground-level implementation.

Central CSR Monitoring Authority: India needs a specialized regulatory body for CSR focused oversight and CSR Control Monitory and Audit

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Authority needs to be formed as an new autonomous institution. This institution should have a real time publicly available recyclable database monitoring all CSR commitments and real time documenting all expenditures and made to CSR projects. This current institution should have the power to document investigations and project inspects when a carte is issued when an investigaton is made or a complain is lodged. This institution should be responsible to create the first Set of irrefutable Impact Assess Assess and documents and published Legislation around CSR Sectorial and benchmark best practices exhaustively on sectorial CSR.

Mandatory NGO Accreditation: Implementing agencies currently face no entry barriers for beyond company selection. A mandatory system of constructed and designed entry barriers for on CSR implementing partners grant CSR implementing partners to defined CSR expenditure limits. Only accredited organizations should be eligible to implement CSR projects above defined thresholds.

Enhanced Disclosure Requirements: Current annual CSR reports provide aggregated numbers with minimal detail. Requirement of disclosure norms should promote project-wise breakdowns of the exact expenditure, all implementing partners, age, and gender demographics of beneficiaries, geographies, and outcome metrics. Companies should disclose how implementing partners are chosen, including any potential conflict of interests. Streamlined digital filing systems should allow the public to access this information in a searchable and analyzable format.

Penalties for False Reporting and Fund Misuse: Current penalties for non-spending and non-reporting should include false reporting, fund diversion, and fraudulent implementation. Companies that misrepresent CSR expenditure, use shell entities to reroute funds, and claim ineligible supervisions should pay fines that match the amount misused. Having repeated violations should cause debarment from claiming CSR credit for a set of time. Fraudulent implementing partners should have criminal prosecution and be permanently debarred.

Standardized Impact Assessment Frameworks: An impact assessment shouldn't be just a routine formality. Tailored to each service sector, the Central CSR Authority should create and put in place documented impact assessment criteria, complete with outcome indicators, standards for evaluation, and requirements for public reporting. They should make clear the difference between outputs (infrastructure built, people reached) and outcomes (capabilities enhanced, behaviors changed, conditions improved). Independent assessors should be stringent in assigning evaluation designs and should include baseline and endline surveys, control groups where feasible, and longitudinal follow-up.

Beneficiary Feedback Mechanisms: Formal and structured mechanisms to assess the impact of CSR activities remain unheard. Every CSR undertaking must include structured beneficiary feedback designed to assess impact, including surveys and grievance redressal systems, and community monitoring committees. Companies must be mandated to disclose beneficiary satisfaction scores and demonstrate how feedback looped back to project amendments.

Prohibition on Political Interference: There is no justification under any CCR activities guidance for permitting political interference, especially on the influence of CSR spend decisions on PSUs. It is suggested that provisions for the complete insulation of CSR committees from political interference, through unsponsored independent directors, be mandatorily adopted. Political coercion in the allocation of CSR funds should warrant disciplinary action against the implicated public servant.

Shift from Spending to Impact Accountability: At the most fundamental level, the essence of the CSR regime must change from the enforcement of obligatory spending to the enforcement of mandatory demonstrated socially beneficial

outcomes. Defensible compliance must hinge not on the settled amount, but the restless measure of success scale of spending. This demands robust compliance system monitoring, system regulatory proficiency, and the reality for stakeholders that the deferral of answerability will, in good conscience, remain the most resource-optimizing pace of CSR resource deployment.

The desired reforms speak to the fundamental change of CSR as a compliance ritual rather than an accountability system in which mandatory CSR spending results in a demonstrated impact on the socially contracted mandate. Political will, administrative ability, and chronic problems must be par to the course. Absent such reforms will leave the nation's pioneering CSR legislation as an exemplar of good intention poorly executed.

9. Conclusion: From Compliance to Commitment

Ten years after India introduced mandatory corporate social responsibility, opinions remain mixed. Legislation has unlocked considerable corporate private resources for social purposes—over ₹24,000 crores annually devoted to social responsible spending—but the gap between the social value of this spending and actual social value of development remains distressingly large.

The fundamental problem does not lie in the theory of mandatory CSR, but in its implementation and enforcement. India's CSR regime focuses on spending to the exclusion of defined intended social outcomes. India's corporate social responsibility regime has poorly constructed weak conditions enforcement that compliance is little more than spending to the exclusion of intended outcomes. The mandated social spending occurs, the mandated social value reporting occurs, and indifference to social value outcomes remains unchallenged.

This does not mean that there are not valuable social initiatives triggered by CSR spending. There are. More and more, social initiatives tied to the direct spending of CSR funds on educational institutions are developed, health care initiatives are funded, and poverty alleviation and employment creation initiatives are socially supported. These are valuable. Looked at as a whole, however, this socially supported spending lacks social development value. More often than not, corporate social spending is made to align with the interests of a corporation. More often than not, social spending is made for political reasons rather than development.

To save the CSR experiment, we must fully admit its failures and restructure it from the ground up. Legal provisions cannot engrain social responsibility, yet well-designed provisions can transform mandates into action. India must move on from the system whereby businesses sustain their obligations by spending on activities that barely qualify and towards CSR compliance that mandates proven social impact.

This change calls for perspectives that may be difficult for some to digest. Regulators must understand that weak compliance oversight holders have driven systemic abuse and start to allocate their resources to enforcement. Companies must be clear that real social license to operate lies beyond compliance reports but within a measurable developmental contribution. Implementing partners must realize that accountability for spending CSR funds, like spending public funds, is an undeniable demand. And, finally, civil society must stop celebrating the mere existence of CSR spending and begin demanding proof of its impact.

The stakes extend beyond the ₹24,000 crores spent annually. At issue is whether India's model of corporate governance can genuinely integrate social responsibility, or whether mandated philanthropy will always remain performative. Other nations watch India's

experiment, considering whether to follow its legislative path. What they learn should be sobering: mandating corporate generosity is relatively easy; ensuring that generosity serves social justice is infinitely harder.

In the end, CSR's reputation in India will be built on the alignment of legal duty and ethical charge. The law may mandate expenditure, but only strong accountability will make such expenditure worthwhile. Unless first principles are changed, India's CSR regime will keep generating impressive expenditure figures and continue masking dismal developmental outcomes—a triumph of corporate compliance without social commitment.

CSR must serve society, not strategy.

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