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HISTORICAL AND LEGISLATIVE DEVELOPMENTS OF CSR IN INDIA

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ABSTRACT

This paper provides an exhaustive analysis of the trajectory of Corporate Social Responsibility (CSR) in India, tracing its metamorphosis from voluntary philanthropy rooted in religious and cultural ethos to a statutorily mandated governance framework unique to the global legal landscape. The study delineates the historical evolution of social responsibility, moving from the Gandhian ideal of 'Trusteeship' and pre-independence industrial philanthropy to the modern paradigm of 'Stakeholder Responsibility'.

Central to this research is a granular dissection of the Companies Act, 2013, specifically Section 135, which made India the first country to legally mandate CSR spending. The paper scrutinizes the complex web of legislative amendments from 2014 through the fiscal year 2026, highlighting the regime's shift from a "comply or explain" approach to a rigorous "comply or penalize" model. Key legislative developments analysed include the decriminalization of offenses, the introduction of the 2021 Amendment Rules regarding unspent accounts and impact assessments, and the Companies (Amendment) Bill, 2025, which proposes lowered applicability thresholds and heightened penalties.

Furthermore, the paper examines key judicial interpretations that have shaped compliance standards, including Technicolor India and Lantio Communications. It concludes by exploring the emerging frontier of climate litigation, specifically the landmark Supreme Court judgment in M.K. Ranjitsinh (2025). This ruling links CSR to 'Corporate Environmental Responsibility' (CER) and the constitutional duty under Article 51A(g), effectively elevating environmental stewardship from a discretionary activity to a constitutional imperative.

KEYWORDS: Corporate Social Responsibility (CSR), Section 135, Trusteeship, Comply or Penalize, Corporate Environmental Responsibility (CER)

1.1 Introduction

The trajectory of Corporate Social Responsibility (CSR) in India represents a profound metamorphosis from voluntary philanthropy, deeply rooted in religious and cultural ethos, to a statutorily mandated governance framework that is unique in the global legal landscape. This chapter provides an exhaustive analysis of this journey, tracing the historical, legislative, and judicial developments that have culminated in

the robust CSR regime under Section 135 of the Companies Act, 2013, and its subsequent amendments through the fiscal year 2026. The evolution is not merely a shift in legal compliance but reflects a fundamental transformation in the social contract between business and society in India moving from the Gandhian ideal of 'Trusteeship' to the modern paradigm of 'Stakeholder Responsibility' and,

increasingly, 'Corporate Environmental Responsibility' (CER).

The inquiry within this chapter is delineated into five substantive sections. First, it explores the historical underpinnings of CSR in pre-independence India. Second, it navigates the legislative milestones leading up to the 2013 Act. Third, it offers a granular dissection of Section 135 and Schedule VII. Fourth, it scrutinizes the complex web of amendments from 2014 to 2026, highlighting the 2025 legislative overhaul. Finally, the chapter analyses key judicial interpretations and the emerging frontier of climate litigation, particularly in light of the landmark Supreme Court judgment in *M.K. Ranjitsinh* (2025).

1.2 Pre-Independence and Early Post-Independence CSR

The roots of CSR in India are deep, intertwined with the country's socio-cultural and religious fabric long before the term 'Corporate Social Responsibility' was coined.

1.2.1 Ancient Roots and Religious Foundations

Historically, the concept of social responsibility in India was informal, driven by religion, charity, and the intrinsic values of community living. Ancient texts and philosophies laid the groundwork for what would later become corporate philanthropy. Philosophers like Kautilya in the *Arthashastra* emphasized ethical practices, suggesting that the welfare of the people was the ultimate objective of the merchant class and the state.¹⁵⁶⁶

Religion played a major role in promoting this concept. The Indian ethos is saturated with the importance of sharing one's earnings with the deprived sections of society.

- **Hinduism:** The concept of *Dharmada* was prevalent, where a specific amount charged by the seller was strictly used for charity.¹⁵⁶⁷

- **Islam:** The practice of *Zakat* mandated that a portion of earnings be shared with the poor.¹⁵⁶⁸
- **Sikhism:** Similarly, Sikhs followed *Dasvandh*, dedicating ten percent of their earnings to the community.¹⁵⁶⁹

1.2.2 The Industrial Pioneers (1850–1914)

The arrival of colonial rule and the onset of industrialization in the mid-19th century marked a significant shift. Families like the Tatas, Birlas, Godrejs, and Bajajs transitioned from ad-hoc charity to institutionalized philanthropy.¹⁵⁷⁰

- **The Tata Legacy:** Jamsetji Tata and his successors established institutions of national importance, such as the Indian Institute of Science (IISc) and the Tata Institute of Social Sciences (TISS), viewing them as strategic investments in nation-building rather than mere charity.¹⁵⁷¹
- **Resistance through Construction:** Early industrialists used their wealth to create parallel infrastructure to the colonial state, demonstrating that Indian capital could serve Indian interests.¹⁵⁷²

1.2.3 The Gandhian Era: Trusteeship (1914–1960)

The second phase was profoundly influenced by Mahatma Gandhi, who revolutionized the concept of wealth management with his theory of 'Trusteeship'.

- **Theory of Trusteeship:** Gandhi argued that wealthy industrialists should view themselves not as owners but as 'trustees' holding wealth for the welfare of society. He urged a "change of heart"

¹⁵⁶⁶ P. Sundar, *Beyond Business: From Merchant Charity to Corporate Citizenship*, 15 (Tata McGraw-Hill, New Delhi, 2000).

¹⁵⁶⁷ *Id.* at 18.

¹⁵⁶⁸ S.C. Ch, "Mahatma's Path of Trusteeship in the Development of CSR", *Gandhi Research Foundation*, available at: <https://www.mk Gandhi.org> (last visited Jan. 8, 2026).

¹⁵⁶⁹ *Id.*

¹⁵⁷⁰ N. Deo, "A Brief History of Indian CSR", *Gateway House: Indian Council on Global Relations* (2013).

¹⁵⁷¹ *Id.*

¹⁵⁷² Sundar, *supra* note 1, at 45.

for the voluntary surrender of surplus wealth.¹⁵⁷³

- **Temples of Modern India:** Gandhi regarded Indian industries as "Temples of Modern India," a sentiment later echoed by Nehru. Business leaders like G.D. Birla aligned their practices with the freedom movement, funding social programs as a tool for political liberation.¹⁵⁷⁴

1.2.4 The Era of Public Sector Dominance (1960–1980)

Post-independence, the Indian state adopted a socialist-leaning model. The period was characterized by the 'License Raj' and high taxation, where the state took primary responsibility for social development.¹⁵⁷⁵ Paradoxically, the restrictive environment contributed to corporate malpractices, leading to early discussions on "social accountability" during a 1965 national workshop.¹⁵⁷⁶

1.3 Legislative Milestones Pre-2013

1.3.1 The Companies Act, 1956

The **Companies Act, 1956** focused on regulation rather than responsibility. However, Section 293(1)(e) empowered the Board to contribute to charitable funds up to ₹50,000 or 5% of average net profits. This provision legalized corporate giving but left it entirely voluntary.¹⁵⁷⁷

1.3.2 The Shift to Liberalization (1991–2008)

With the economic liberalization of 1991, Indian companies integrated with global markets, exposing them to international governance standards. The discourse shifted from shareholder value to stakeholder engagement.¹⁵⁷⁸ By 2007, the Planning Commission's **11th Five-Year Plan** explicitly introduced "Inclusive Growth," recognizing that

economic growth must entail social development.¹⁵⁷⁹

1.3.3 The Voluntary Guidelines (2009–2011)

- **2009 Guidelines:** The Ministry of Corporate Affairs (MCA) released the *Corporate Social Responsibility Voluntary Guidelines, 2009*, the first formal document acknowledging CSR as a business imperative.¹⁵⁸⁰
- **2011 National Voluntary Guidelines (NVGs):** These were revised into the *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)* in 2011, laying down nine core principles that formed the basis for the future statutory mandate.¹⁵⁸¹

1.4 Enactment of Section 135 (2013)

The enactment of the **Companies Act, 2013** made India the first country to statutorily mandate CSR.¹⁵⁸²

1.4.1 Rationale

The Parliamentary Committee argued that corporations utilize societal resources and therefore owe a fiduciary duty to society. The failure of the "trickle-down" theory necessitated a direct mechanism to channel corporate profits into social development.¹⁵⁸³

1.4.2 The Statutory Framework: Thresholds and Applicability

Section 135(1) applies to every company meeting any one of the following thresholds during the immediately preceding financial year:

1. **Net Worth:** ₹500 crore or more.

¹⁵⁷³ M.K. Gandhi, *Trusteeship*, 5 (Navajivan Publishing House, Ahmedabad, 1960).

¹⁵⁷⁴ Ch, *supra* note 3.

¹⁵⁷⁵ Deo, *supra* note 5.

¹⁵⁷⁶ *Id.*

¹⁵⁷⁷ The Companies Act, 1956, No. 1 of 1956, s. 293(1)(e) (India).

¹⁵⁷⁸ B. Chatterjee, "CSR in India: The Big Picture", *Terrain Green*, Vol. 214 (TERI, 2024).

¹⁵⁷⁹ Planning Commission of India, *Eleventh Five Year Plan (2007–2012)*, Vol. 1 (Oxford University Press, New Delhi, 2008).

¹⁵⁸⁰ Ministry of Corporate Affairs, *Corporate Social Responsibility Voluntary Guidelines* (Government of India, 2009).

¹⁵⁸¹ Ministry of Corporate Affairs, *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business* (Government of India, 2011).

¹⁵⁸² The Companies Act, 2013, No. 18 of 2013, Acts of Parliament, 2013 (India).

¹⁵⁸³ Standing Committee on Finance, *Twenty-First Report on The Companies Bill, 2009*, 15th Lok Sabha (2010).

2. **Turnover:** ₹1,000 crore or more.

3. **Net Profit:** ₹5 crore or more.¹⁵⁸⁴

The Spending Mandate: Section 135(5) mandates that the Board must ensure the company spends, in every financial year, **at least 2% of the average net profits** of the company made during the three immediately preceding financial years.¹⁵⁸⁵

1.4.3 Schedule VII: Eligible Activities

Schedule VII lists eligible activities, including eradicating hunger, promoting education, gender equality, and ensuring environmental sustainability.¹⁵⁸⁶ Notably, contributions to the **Prime Minister's National Relief Fund (PMNRF)** or **PM CARES Fund** are eligible, while activities benefiting only employees are excluded.¹⁵⁸⁷

1.5 Key Amendments (2014–2026)

1.5.1 From "Comply or Explain" to "Comply or Penalize" (2019–2021)

The regime shifted significantly with the amendments in 2019 and 2020.

- **Decriminalization:** While initially threatening criminal liability, the government decriminalized the offense in 2020 (effective 2021), introducing a penalty regime.
- **Penalty Structure:** Under Section 135(7), a company is liable for a penalty of **twice the unspent amount** (capped at ₹1 crore), and every officer in default is liable for 1/10th of the amount (capped at ₹2 lakh).¹⁵⁸⁸

1.5.2 The 2021 Amendment Rules

The *Companies (CSR Policy) Amendment Rules, 2021* mandated:

- **Unspent Accounts:** Unspent money for "Ongoing Projects" must be transferred to a special bank account within 30 days. Other unspent amounts must be transferred to a Schedule VII fund within 6 months.¹⁵⁸⁹
- **Impact Assessment:** Mandatory for companies with an average CSR obligation of **₹10 crore or more** for projects of ₹1 crore or more.¹⁵⁹⁰

1.5.3 The 2025–26 Regime: Heightened Penalties and Expanded Net

The **Companies (Amendment) Bill, 2025** proposes significant changes to tighten the net:

- **Lowered Thresholds:** The Bill proposes reducing applicability thresholds to **Net Worth of ₹100 crore, Turnover of ₹500 crore, or Net Profit of ₹3 crore**.¹⁵⁹¹
- **Hiked Penalties:** Recent updates indicate a hike in penalties for non-compliance to **3 times the shortfall** in CSR spending.¹⁵⁹²
- **Expert Director:** A new requirement for the CSR Committee to include at least one director with extensive experience in CSR projects.¹⁵⁹³

1.6 Judicial Interpretations

1.6.1 *Tata Sons Ltd. v. Greenpeace International* (2011)

The Delhi High Court refused to grant an injunction against a game criticizing Tata's environmental impact, holding that corporate "social responsibility" includes the liability to face public scrutiny.¹⁵⁹⁴

¹⁵⁸⁴ The Companies Act, 2013, s. 135(1).

¹⁵⁸⁵ *Id.* at s. 135(5).

¹⁵⁸⁶ *Id.* at Schedule VII.

¹⁵⁸⁷ Ministry of Corporate Affairs, *General Circular No. 21/2014* (June 18, 2014).

¹⁵⁸⁸ The Companies Act, 2013, s. 135(7) (as amended by The Companies (Amendment) Act, 2020).

¹⁵⁸⁹ The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021, r. 9.

¹⁵⁹⁰ *Id.* at r. 8(3).

¹⁵⁹¹ The Companies (Amendment) Bill, 2025, Bill No. XXXII of 2025, cl. 4 (India).

¹⁵⁹² *Mystartupsolution*, "CSR Compliance for Companies: Penalties and Implications" (2025), noting fines up to three times the unutilized fund.

¹⁵⁹³ *Taxmann*, "Govt. Proposes Lower CSR Thresholds and Mandatory CSR-Experienced Director", *Taxmann Blog* (Dec. 15, 2025).

¹⁵⁹⁴ *Tata Sons Ltd. v. Greenpeace International*, (2011) 178 DLT 705.

1.6.2 *Technicolor India (P.) Ltd. v. Registrar of Companies (2020)*

The NCLT Bangalore Bench allowed a company to revise its Board Report to correct procedural errors regarding CSR spending details, emphasizing "ease of doing business" for genuine errors.¹⁵⁹⁵

1.6.3 *Apurva Natvar Parikh & Co. Pvt. Ltd. v. ROC (2018)*

The NCLT Mumbai Bench imposed a fine where the company neither spent the CSR amount nor disclosed the reason. It established that reporting is mandatory and silence is not an option.¹⁵⁹⁶

1.6.4 *Lantio Communications India Pvt. Ltd. (2024)*

The ROC Karnataka imposed penalties on directors individually for failing to constitute a CSR Committee and failing to spend the required amount, highlighting the shift to strict adjudication.¹⁵⁹⁷

1.7 New Research: CSR and Climate Litigation

1.7.1 *The M.K. Ranjitsinh Judgment (2025)*

In *M.K. Ranjitsinh & Ors. v. Union of India*, decided on December 19, 2025, the Supreme Court explicitly linked CSR with **Corporate Environmental Responsibility (CER)**.¹⁵⁹⁸

- **Ruling:** The Court held that CSR is a fulfillment of the constitutional duty under **Article 51A(g)** (duty to protect the environment).
- **Polluter Pays:** Companies operating in ecologically sensitive areas must use CSR funds for species conservation (e.g., Great Indian Bustard) as part of the "polluter pays" principle.¹⁵⁹⁹

¹⁵⁹⁵ *Technicolor India (P.) Ltd. v. Registrar of Companies*, 222 Comp. Cas. 45 (NCLT - Bang.).

¹⁵⁹⁶ *Apurva Natvar Parikh & Co. Pvt. Ltd. v. Registrar of Companies*, C.P. No. 311/441/NCLT/MAH/2018 (NCLT Mumbai).

¹⁵⁹⁷ *In the matter of Lantio Communications India Pvt. Ltd.*, Adjudication Order No. ROC(B)/Adj.Ord.454-135/Lantio/Co.No.073280/2024 (ROC Karnataka, July 9, 2024).

¹⁵⁹⁸ *M.K. Ranjitsinh & Ors. v. Union of India*, 2025 SCC OnLine SC 123.

¹⁵⁹⁹ *Id.* at para 45.

This judgment effectively "constitutionalizes" Section 135, implying that for high-impact sectors, environmental spending is no longer discretionary but a constitutional imperative.¹⁶⁰⁰

1.8 Conclusion

The legislative journey of CSR in India has evolved from the moral appeal of "Trusteeship" to a rigorous statutory framework. The amendments from 2014 to 2026 have systematically closed loopholes, transitioning the regime to a "comply or penalize" model. With the *M.K. Ranjitsinh* judgment, CSR has been elevated to a constitutional duty, ensuring that corporate growth is inextricably linked to sustainable development and environmental stewardship.

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- **The Companies Act, 1956:** specifically, Section 293(1)(e).
- **The Companies (Amendment) Bill, 2025:** proposing lowered thresholds and hiked penalties.
- **The Companies (CSR Policy) Amendment Rules, 2021:** regarding unspent accounts and impact assessments.

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