

## Corporate Social Responsibility obligation under Modern Corporate Law

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### ABSTRACT

Corporate social responsibility (CSR) has been turned into an optional act of philanthropy to an obligatory offer of the modern day corporate legislation, particularly in such a jurisdiction as India whereby the statutory regulation of the corporate social spending and a mechanism of corporate governance must be fulfilled by the statutory provisions. In this study, the critical identification of CSR as a legal requirement refers to the statutory requirements, compliance trends, the enforcement processes, the problems in implementing the corporate responsibilities and the general implication of corporate responsibility and sustainable development. The study takes the doctrinal and comparative legal research design supported by quantitative researchers of compliance and qualitative governance information to the study of what impact the CSR requirements under([135] of the Companies Act, 2013) have had on the corporate behaviour and social expenditure patterns.

The failure of CSR initiatives is restricted by the implementation barriers which involve compliance-based CSR, transparency and accountability absence, administrative delays and poor stakeholder engagement. Besides, the differences in the enforcement mechanisms and the issue of the necessity of the improvement of the legal clarity, outcome-oriented reporting, and the efficient monitoring structures are discovered in the study. Relative observations indicate that the principle-based CSR regimes in other jurisdiction offer alternative schemes of governance, but may lack the forcefulness nature of statutory requirements. To ensure CSR can positively impact the socio-economic outcome the research recommends the following changes in the policy including strengthening of enforcement provisions, aligning CSR with national development goals, giving incentives to high-impact projects, and improving stakeholder collaboration are some of the changes to policy..

**Keywords:** Corporate Social Responsibility, Companies Act 2013, Statutory CSR Compliance, Corporate Governance, Sustainable Development, CSR Enforcement Mechanisms.

### 1. INTRODUCTION:

#### 1.1 Background of the Study

Corporate Social responsibility (CSR) in different jurisdictions has been turned into a legal obligation of the modern law of corporations rather than an ethical practice. CSR was commonly perceived as a type of philanthropic activity in the past, which did not pertain to law and was not punishable. However, with the increase in expectations of society and other problems inherent in the world, such as inequality, environmental damages, stakeholder activism, and others, CSR is imposed on the legal system and requires companies to follow it (Komal Raghav, 2024).

In general, such a shift is the most noticeable in India, where some companies are required to allocate at least 2% of the average net profits to approved CSR activities within a year, and address board-level CSR committees (India Briefing, 2025). The initiatives which have been undertaken so far on CSR prior to the 2013 law were

virtually voluntary and driven by the best practices of corporate governance. One of the earliest instances of CSR compulsory requirements being enforced on businesses across the globe is the needed CSRs.

This legal development is not only motivated. The corporations are now being considered by governments and regulators as the social actors besides the economic actors and the corporations are supposed to be responsive to the welfare of the community, environmental sustainability and fair development. In this respect, the CSR requirements are applied to harmonize the corporate practices or behaviours with the interests of the national development and expectations of the stakeholders. As an example, the legal CSR system in India is supposed to leverage the influence of the private sector to assist the nation to attain its national objectives, such as poverty eradication, education, health and environmental sustainability.

Such a shift is indicative of broad brushes reforms in corporate governance philosophy - the priority of a shareholder over the governance of stakeholders - in

which law takes centre stage in the driving force of social responsibility. The demands of CSR in the modern corporate law is no longer a peripheral issue because the contemporary law of corporations has integrated the aspect of social accountability in the environment of legal requirements that corporations owe to the society.

## 1.2 Problem Statement

Some of the questions that remain that have arisen despite the legalization of the obligation of CSR are effective implementation and enforcement of the laws. The struggle between the legal adherence and the great social weight is among the principal concerns. Although there are corporations that would pass the formal qualifications of CSR expenditure, it is questioned whether the expenditure results in social or environmental transformation within the society. Moreover, the means of enforcement and law consequences of non-compliance are not adequately characterized, especially in jurisdictions with a changing regime of corporate law.

The other concern is on the corporate governance area. An example of such is the Companies Act of India, Section 135, which mandates CSR expenditure, but does not specify extravagant punishment to non-compliance as an alternative to other forms of negligible regulatory punishment, which will result in box-ticking compliance practices rather than meaningful CSR practices. Additionally, the gap between CSR laws and accountability measures is also a concern in the context of transparency and quality of CSR practices as what is necessary by the system can be achieved without consulting to the stakeholders or without evaluating the consequences.

Therefore, there is a need to critically examine the operation of the CSR law requirements in practice, design of regulations effectiveness, enforcement issues and implications of the new regulations on the greater accountability questions of corporations. This study will focus on exposing these loopholes in the law and governance to propose how the current corporate law can improve CSR requirements.

## 1.3 Aim and Objectives of the Study

### Aim:

To critically examine the nature and implications of the Corporate Social Responsibility (CSR) as a legal demand in modern laws of corporates with special consideration on the statutory provisions, enforcement and corporate responsibility.

### Objectives:

To investigate in which area of the law CSR requirements are imposed in contemporary corporate law.

To examine the processes of legal requirements of CSR implementation and enforcement.

To find out how well the CSR requirements perform in providing social and environmental outcomes.

To provide recommendations on how the CSR and corporate governance legal frameworks can be improved.

## 1.4 Research Questions

Why has CSR become optional practice to compulsory practice of the modern corporate statute?

What is the legal formulation of CSR and the laws and principles?

To what extent are the enforcement systems effective in the context of being compliant with CSR?

What are the rates of effectiveness of CSR legal requirements to create measurable social and environmental impacts?

## 2. LITERATURE REVIEW

### 2.1 Theoretical Foundations of CSR in Corporate law

In a deep review of literature of the subject of social corporate responsibility, Patil (2025) assumes that over time, corporate social responsibility has evolved to no longer be viewed as an act of ethical practice but rather part of the formal governance discourse and legal frameworks, particularly in those nations where the intensity of demands and regulatory pressures by stakeholders has intensified within the last decade. Corporate responsibility extended as the role of CSR in the corporate law is the expression of societal interests other than the shareholders that represent the stakeholder and corporate citizenship theories. The theories assume that the corporation as a social entity has duties to the employees, communities, and the environment other than financial duties to the investors (Patil et al., 2025).

According to Joshi (2025), the modern theory of CSR crosses with the governance of sustainability and legal demands since the legal binding principles of compulsory CSR states a normative change in the perception that the corporations should not do the opposite of the sustainable development agenda. The works by Joshi remind us about the importance of CSR in the sustainable practices which result into the social, along with environmental benefits and simultaneously in addressing the problem of the legal responsibility in the context of corporate governance. The conceptual shift in the direction the corporate law is taking towards the obligations of the corporations is demonstrated by the fact that CSR is no longer voluntary behaviour but a legal obligation (Joshi, 2025).

Gupta and Sharma (2025) come up with arguments that indicate that the current model of corporate governance is increasingly leaning towards making CSR part of the legal and regulatory frameworks applied in various jurisdictions indicating that legal recognition of the CSR responsibility enhances the accountability systems in new models. They contrast them and discover that the mandatory regime of CSR such as in India are contrasted to principle based or voluntary regimes such as in the United Kingdom and the United States but have an analytic grounding on the theory that the legal responsibilities of the corporation have been extended to the welfare of more than just its maximisation of profits.

### 2.2 CSR Free action or legal imperative

Vieira et al. (2025) typify the frameworks of CSR in a spectrum of voluntary self-regulation and mandatory requirements by law. They note that despite the fact that voluntary CSR remains a dominant trend in most developed economies, some trend towards

implementation of compulsory CSR policy can be observed in emerging markets where strong legislative systems are attempting to realise the concept of corporate responsibility by enforcing mandatory provisions. The study acknowledges the scientific scepticism regarding the possibility of the legal demands of CSR to suggest substantial societal outcomes in situations of various socioeconomic conditions and imposing capacities.

Investigating how the statutory CSR regime in the country had influenced Indian businesses since 2013, Kulkarni (2024) finds that mandatory CSR has reorganised the approaches of the corporations where corporations currently see the sense in integrating CSR into the very fabric of the processes of governance in order to comply with the legal requirements and expectations of stakeholders. However, the Kulkarni work also raises the problem of ongoing challenges of translating legal requirements to applicable CSR practices because not all companies are pertinent impact-driven requirements to meet the CSR requirements but rather, they are more of compliance-driven based companies.

Zervoudi et al. (2025) discuss how CSR has evolved into Environmental, Social and Governance (ESG) standards and criteria, which suggests a further formalisation of CSR into measurable corporate activities, which comprise legal, social and environmental. They assess the compulsory CSR reporting and requirements as to result in greater transparency and accountability but they also opine that regulatory frameworks ought to be complemented by effective enforcement systems so that CSR requirements result in material social outcomes.

### 2.3 Comparative CSR Frameworks

Mishra (2024) explains the Indian law of CSR by mentioning that the law offers a scheme of spending on CSR under Section 135 of the Companies Act, 2013, that states that companies need to meet a predetermined size and profitability threshold. This is a statutory requirement as stipulated by Mishra as a significant step towards voluntary CSR that CSR is now a component of corporate legal and corporate governance systems as companies now have to commit at least 2 per cent of their average net profit over three years to approved CSR and establish a board-level CSR committee, which monitors and reports on the same.

In general, Patil (2025) indicates that India does not resemble the principle based compliance strategy which, however, is evident in the United Kingdom where codes of corporate governance encourage CSR because of integration of ESGs, yet the nation is not, legally, required to allocate a certain sum of money on CSR. On the other hand, the Indian laws bear obligatory requirements of CSR spending and reporting reports which illustrate contrary regulatory philosophies of CSR application (Patil et al., 2025).

Gupta and Sharma (2025) make a comparison of the CSR frameworks in India, the United States, and the UK to demonstrate that legal and regulatory frameworks inform corporate responsibilities. They argue that the CSR responsibility in India is prescriptive and enforcing as opposed to the UK where the ESG based one is not, and that in the United States, CSR activity is voluntary and *Advances in Consumer Research*

under regulatory incentives of accountability and disclosure. In this comparative study, the contribution of different legal traditions in the definition and implementation of CSR legal obligation can be viewed.

Corporate sustainability a regulatory practice such as Corporate Sustainability Due Diligence Directive (CSDDD) by European Union is another example of a regulation that compels corporations to conduct human rights and environmental due diligence. The CSDDD adopted in 2024 mandates a lot of corporate responsibility in value chains and thus, incorporates the CSR related requirements in the EU corporate law systems. It represents one of the examples of expanding the CSR responsibilities within the framework of the contemporary corporate law to include legal due diligence.

#### 2.4.1 Effect of Traditional Trends to the Literature

According to Patil (2025), the available literature on the topic of CSR legal requirements is mostly aimed at the theoretical aspect or the descriptive reports of the mandatory CSR systems but does not show any in-depth analysis of the efficiency and measurable impacts on society. Even though the statutory requirements present the CSR requirements on paper, there is still a gap in understanding how receiving the requirements actually impact the society, more so, in different economic situations where the enforcement of the mechanisms in such situations can have a very different impact.

Kulkarni (2024) also states that the academic litter has directed a disproportional focus on compliance strategies adopted by corporations under the mandatory CSR regimes, with the absence of literature regarding the reality of the stakeholders that are affected by CSR activities. The available empirical evidence on the effects on CSR obligations remain little on whether they contribute to some significant socio-economic benefit or are primarily applied to comply with the requirements of corporate reporting as a type of symbolic use.

As Zervoudi et al. (2025) have put it, the concept of the legal requirements and the reporting obligation has significantly risen, but the literature cannot locate the solution of how to reconcile the regulation frameworks around the globe without either strangulating local innovation or local social priorities. This means that a comparative study on how the CSR legal frameworks which are divergent in various jurisdictions can be aligned is missing.

## 3. RESEARCH METHODOLOGY

This part provides a methodological direction to be followed in the investigation of the Corporate Social Responsibility (CSR) requirements within the modern corporate law. The methodology defines the research design, the sources of data, and the structure of analysis that will be applied in the research to examine statutory provisions, governance structures, enforcement mechanisms, and their impact on corporate accountability and compliance.

### 3.1 Research Design

The doctrinal legal research design is one of the appropriate legal research designs that will be applied in

the research, applied in analysing and interpreting legal norms, statutory provisions and judicial implications of the CSR obligations in the corporate law. Doctrinal researches refer to the systematic research of legal writings, laws, regulations, and rules and case laws to derive the coherent meaning of the legal requirements and privileges (Pavone and Mayoral, 2022). It will permit the analysis of the statutory CSR provisions, specifically, against the background of the statutory frameworks in other jurisdictions in the context of Section 135 of the Indian Companies Act, 2013.

The comparative legal analysis is also used in the design of the doctrines so as to position the CSR legal obligations in India within contexts of other legal regimes within which the CSR obligations may be either voluntary or political anchored into wider governance structures. The simplification and dissimilarity of the set of regulatory design, interpretation, and enforcement mechanisms can be determined by employing the comparative approach to offer insights into the effect that the different legal traditions have on CSR obligations (Visser, 2023). Comparative analysis, in its turn, is an addition to the doctrine reasoning because it puts the statutory provisions into the context of the discussion of the whole practice of international law that then leads to the broadening of theoretical understanding of CSR as a legal responsibility.

In addition, the paper makes use of the normative evaluation that allows concluding whether the current legal frameworks of CSR are aligned with the principles of corporate accountability, stakeholder governance and sustainable social impact. Much of legal scholarship which has set about to criticize the question whether law-in-books translates into law-in-action is normative assessment with specific reference to the question of implementation and enforcement.

Thus, the mixed-methodology provides a powerful instrument in the interpretation of the legality of the CSR requirements of the present corporate law, which represents the optimal balance between the statutory interpretation and the context and normative interpretation.

### 3.2 Data Sources

The data applied in this research contains both primary sources of law and secondary sources of knowledge. Primary sources are statutory provisions, rules and official government notifications concerning CSR. The significant only primary sources are the Section 135 of the Companies Act, 2013, the Companies (Corporate Social Responsibility Policy) Rules, 2014 and the Schedule VII and other activities that apply as CSR in line with the Act. In addition, the government FAQs and amendments of CSR compliance possess the official sources of clarity regarding the guidelines and pledges of the obligations and regulatory requirements (India Briefing, 2025).

The secondary sources comprise the scholarly commentaries, legal research, articles in law journals, policy reviews and practitioner manuals of CSR legal provisions. This can be achieved by utilizing such materials to help to grasp the legal provisions of the statutes, the purpose behind the regulation and draw parallels in law. The emphasis is taken on the literature *Advances in Consumer Research*

published within the past five years to offer the analysis of recent legal developments and theoretical debate that are applicable to the CSR law.

Where there is a case law, it is analysed to provide an understanding of how it has been interpreted, the application of the law and the accountability of the judges in action. This will entail a judicial pronouncement critique with regard to the CSR compliance, disclosure requirements and regulation penalties. To provide empirical data on the conversion of the legal requirements into corporate practice, regulatory reports, government circles and institutional responses are also included.

The fact that primary and secondary sources are used ensures that the study is statutory-based and at the same time supplemented by examining scholars and legal reforms occurring in the world.

### 3.3 Analytical Framework

The theoretical framework is a law-in-books vs. law-in-action framework in order to make a distinction between the legal requirements on paper and the legal requirements in practice. This framework could be applied to identify the loopholes in the provisions of statutes and corporate compliance behaviours that focus on the enforcement, reporting and the stakeholder effects. A doctrinal interpretation is followed by an interpretation of the texts of statute and comparative information on legal structures that constitute the basis of CSR governing.

Three primary analysis steps can be singled out, including (a) textual analysis of CSR provisions, (b) the consideration of the legally mandated forms of governance, featuring CSR committees at the board level and (c) analysis of enforcement mechanisms and regulatory supervision. The normative evaluation of legal accountability standards and meaningful advancement of social and environmental objectives that go beyond compliance assists in the analysis.

This kind of mixture of approach ensures that the study does not merely explain the legal requirements but also concludes how well and relevant they are to the modern corporate governance.

## 4. CSR REQUIREMENTS IN THE CONTEMPORARY BUSINESS LAW

This section evaluates the legality of Corporate Social Responsibility (CSR) duties, vis-a-vis the modern corporate laws (with particular reference to Section 135 of the Companies Act, 2013), the trend in compliance, the trend in expenditure, sectoral allocation, the enforcement aspect, as well as the actual empirical findings on CSR performance. The discussion integrates the statutory interpretation and quantitative research to demonstrate how the legal requirements can be transformed into measurable corporate responses.

### 4.1 Legal Framework and legal Recognition

Corporate Social Responsibility The law of corporate Social responsibility is written in statutory corporate law of India by Section 135 of Companies Act, 2013, in which it is stipulated that any company who has reached particular thresholds must comply with and fund CSR practices. According to Section 135(1), every company of

which the net worth, turnover, or net profit in the previous financial year are 500 crores and above (or 1000 crores and above and 5 crores and above respectively), the Board-level CSR committee should be constituted (as per Section 135 and the following CSR Policy Rules).

Section 135(5) requires such companies to ensure that at least 2 per cent. of their average net profits of the preceding three years are used in CSR programmes as listed in Schedule VII of the Act to fund such themes as education, healthcare, rural development, environmental sustainability and women empowerment. Section 135, Table 1 points out the eligibility requirements as well as obligatory requirements.

Table 1. Eligibility and Mandatory Requirements of Section 135 CSR.

| Criteria               | Threshold                             | CSR Requirement                  |
|------------------------|---------------------------------------|----------------------------------|
| <b>Net Worth</b>       | $\geq$ ₹500 crore                     | Mandatory CSR committee          |
| <b>Turnover</b>        | $\geq$ ₹1,000 crore                   | CSR policy approval & disclosure |
| <b>Net Profit</b>      | $\geq$ ₹5 crore                       | Minimum 2% CSR spend             |
| <b>Board Mechanism</b> | CSR committee with $\geq 3$ directors | Governance & monitoring          |

The legal system makes CSR spending not only a voluntary act of philanthropy but a binding corporate responsibility which is incorporated in the corporate governance and reporting compliance. But although the law does prescribe minimum spending and structures of governance, substantive penalties against non-compliance with reporting or committee constitution is not prescribed other than some general default provisions under the Companies Act. This loophole highlights the difficulty of ensuring that legal duty is converted into binding corporate action.

#### 4.2 CSR Expenditure Trends, National Compliance Patterns

The empirical evidence shows that CSR expenditure by the compulsory enterprises in India is on an increasing trend which is a result of developing compliance culture as well as general increase in corporate profits. In the national aggregate data, it can be seen that total CSR expenditure increased by 4718.14 crore between FY 2021-22 and FY 2022-23, whereas the number of CSR projects implemented per year has increased by 7421 between 44,245 and 51,966, which reflects the growth in the range and coverage of CSR activities by sectors.

Figure 1 depicts that in the course of a span of three years, the total CSR expenditure and number of projects expanded by a significant margin during the recent years as per government and institutional reports.

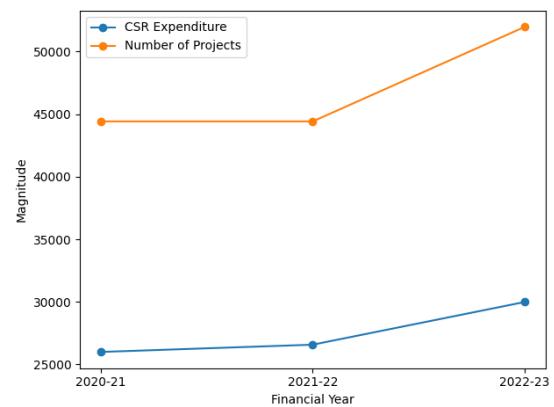


Figure 1. CSR Expenditure and the Projects (FY 2020-21 to FY 2022-23)

Bar/line graph of CSR expenditure (in crores of rupees) and project number in three years.

Besides, the report of the PRIME Database indicates that CSR expenditure of the listed companies grew for FY 2023-24 to an average of about 16 per cent, approximately to 17,967 crore against 15,524 crore in FY 2022-23 and that almost 98 per cent of the listed companies fulfilled their CSR spending, and that nearly 50 per cent of the listed companies spent more than the 2 per cent required.

Table 2. National CSR Spending Trends (₹ crore)

| Fiscal Year | Total Spend    | CSR % Change | Number of Projects |
|-------------|----------------|--------------|--------------------|
| 2020-21     | 26,000 (est.)  | —            | 44,425             |
| 2021-22     | 26,579.78      | +2.2%        | 44,425             |
| 2022-23     | 29,986.92      | +12.8%       | 51,966             |
| 2023-24     | 31,000+ (est.) | +3.4%        | 55,000+ (proj.)    |

The sectoral allocations indicate that education will have the most share of the CSR funds, followed by the healthcare and rural development programmes, an indication that social infrastructure objectives should be prioritised in the decisions of corporate spending.

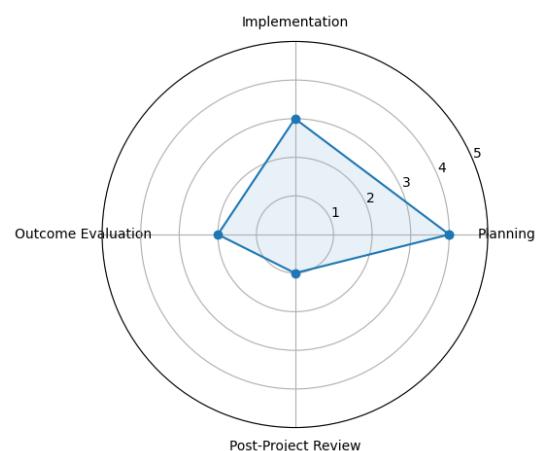


Figure 2. CSR Sectoral Expenditure (Percent)

Even though the overall compliance seems to be healthy, there are emerging data indicative of compliance gaps. Industry analysis shows that 20 per cent of the companies in FY 2022-23 did not meet the required 2 per cent CSR spending in full with any remaining funds being carried forward or deferred in the lag of planning or implementation.

This chequered record of nominal compliance and intermittent under-spending explains the efficacy and inefficacy of legal CSR requirements in prompting systematic corporate investment of social expenditure.

#### 4.3 Sectoral and Regional patterns of CSR

In addition to country amounts, the trends in CSR spending indicate that there are substantial regional disparities and industry choices of obligatory firms. As an illustration, Maharashtra continues to be the state with highest spend in CSR, followed by others such as Gujarat and Karnataka, with some districts in other states such as Telangana reporting disproportionate allocation with some having no or minimal CSR expenditure..

Table 3. Top CSR Spending States (FY 2023-24)

| State              | CSR Spend (₹ crore) | % of Total |
|--------------------|---------------------|------------|
| <b>Maharashtra</b> | ~6,065.95           | ~17.4%     |
| <b>Gujarat</b>     | ~2,707.54           | ~7.8%      |
| <b>Karnataka</b>   | 1,900+              | ~5.5%      |
| <b>Telangana</b>   | 1,054               | ~3.0%      |
| <b>Others</b>      | Balance             | ~66.3%     |

Figure 3 shows the distribution of CSR expenditures on State-by-State basis during the latest fiscal year, highlighting the level of geographical concentration of CSR funds in industrial and economically well-to-do areas.

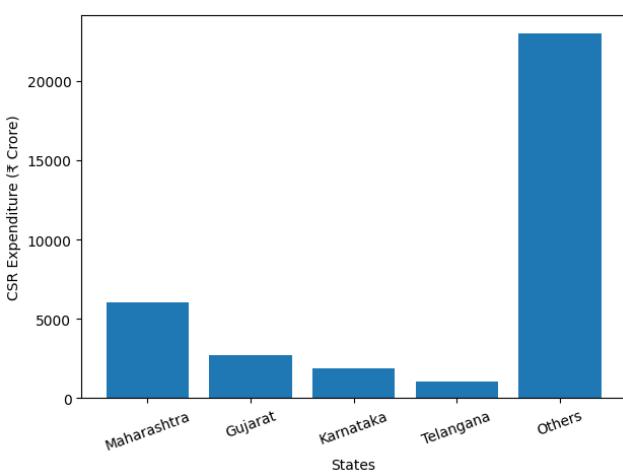


Figure 3. State wise CSR Spending Distribution.

Vertical bar chart comparison of CSR spend across top five states.

The pattern of sectoral allocation indicates that the education programmes are usually allocated the largest part of CSR funds as corporate focuses on skills, literary *Advances in Consumer Research*

and human capital development. Other areas that incur a lot of spending include healthcare, rural development, and environmental sustainability though inter-company variance is quite high.

Table 4. Sectoral CSR Expenditure Patterns

| Sector                                | Estimated % Share of CSR Spend |
|---------------------------------------|--------------------------------|
| <b>Education</b>                      | ~40%                           |
| <b>Healthcare</b>                     | ~25%                           |
| <b>Rural Development</b>              | ~15%                           |
| <b>Environment</b>                    | ~10%                           |
| <b>Women Empowerment &amp; Others</b> | ~10%                           |

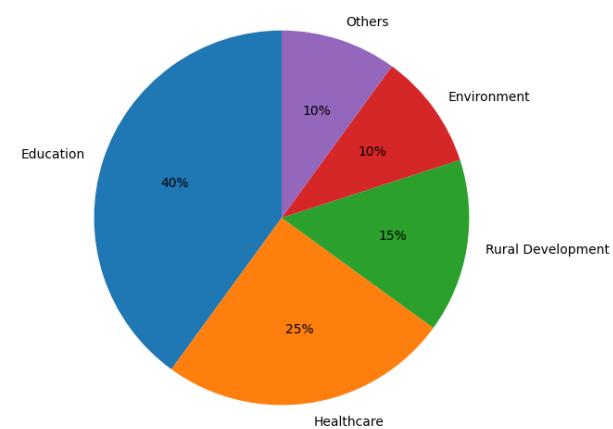


Figure 4. CSR Expenditure by Sector

These differences not only shed light on corporate preferences but also on how the priorities of local development and the needs of local communities affect the corporate strategies of CSR.

#### 4.4 Enforcement and Compliance Problems

The enforcement of CSR by law is a thorny aspect of CSR governance. Although the statutory provisions require expenditure and disclosure, no direct penalties are stated, which is why the violation of the obligation to spend the necessary amount of CSR is often enforced with the help of general provisions concerning responsibilities of directors, non-compliance with the obligation to report, or the inclusion in the list of measures of the Registrar of Companies (RoC), which is why the statutory rules do not imply strict penalties.

The revelations made by the government have shown that 30 companies were fined in three fiscal years due to their non-compliance with the rules of CSR, which demonstrates that breaches are under legal investigation and can be penalised in accordance with corporate laws.

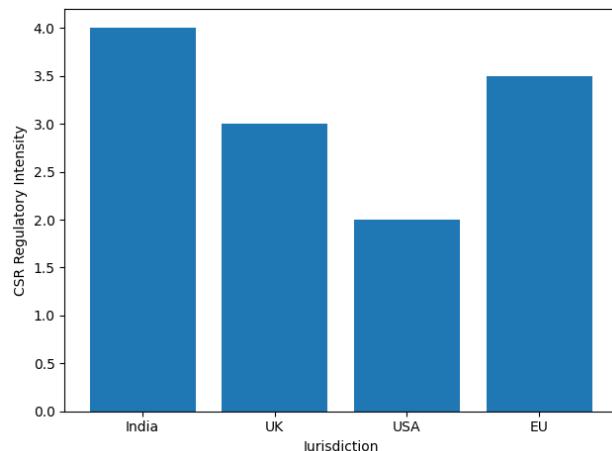


Figure 5. Statistics of CSR Compliance Enforcement.

Mock-up of timeline graph of number of penalised companies per year.

The dilemmas in enforcement are the lack of guidance on the procedure about unused CSR funds, the postponement in implementation, and the obstacles in governance in the board-level committees which are supposed to oversee the CSR. The companies (amendment) bill, 2025 amendment proposals aim to enhance the governance of CSR practices to reduce applicability requirements and introduce compulsory experience directors to CSR committees, which would potentially affect the future enforcement culture and compliance culture.

There is also non-adherence, which is as a result of corporate planning problems whereby organizations do not plan timely CSR programmes because of lack of resources or expertise to do the same hence leading to delayed or under-utilized CSR funds.

Table 5. CSR Compliance and Enforcement Indicators

| Indicator                                | Observed Outcome        |
|--|-------------------------|
| <b>Companies Penalised (last 3 yrs)</b>  | 30+                     |
| <b>Firms Meeting 2% Spend</b>            | ~80–98%                 |
| <b>Firms Under-Spending</b>              | ~20%                    |
| <b>Governance Strengthening Measures</b> | Proposed via amendments |

The reality on the ground therefore highlights the necessity of better administrative procedures, higher levels of regulatory control and governance supportive structures that will guarantee compliance with legal requirements not just at a procedural pace but also with social effect.

##### 5. Difficulties in the Practices of CSR

In India, corporate responsibility has been institutionalized through the Section 135 of the Companies Act, 2013 that has introduced the concept of Corporate Social Responsibility. Nevertheless, following the formal legislation required structures and the rising

level of aggregate compliance, firms continue to have troubles related to fulfilling the CSR requirements in the manner that will convert the formalities into practical social performance. This part provides a critical analysis of the multi-dimensional implementation issues such as compliance oriented CSR, lack of transparency, inefficiency within the administration system, lack of stakeholder engagement and lack of resources.

##### 5.1 Box-Ticking Culture and Compliance Oriented CSR

One of the major problems in terms of CSR implementation is that most corporate actors have a compliance-driven culture in which the legal obligation to spend a certain amount of money results in companies focusing on satisfying the procedural requirements instead of making a difference in terms of social performance. Despite are required to incur a minimum expenditure of 2 per cent of annual average profits as per Section 135, numerous companies resort to the so-called spend-and-report approaches which are aimed at meeting the statutory requirements but not at developing programmes with a long-term impact (Drishti IAS, 2024). It is reported that CSR spending is frequently focused on areas that have an existing template (e.g. education and healthcare) and not the innovative or systemic intervention on social issues, as a form of compliance rather than alignment to development requirements.

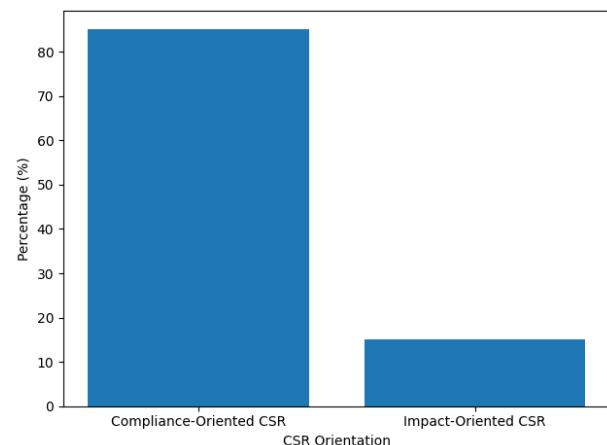


Figure 6. Percentage Distribution of CSR activities by Compliance Orientation.

Insertion of a category bar chart in relation to compliance and impact oriented CSR programmes.

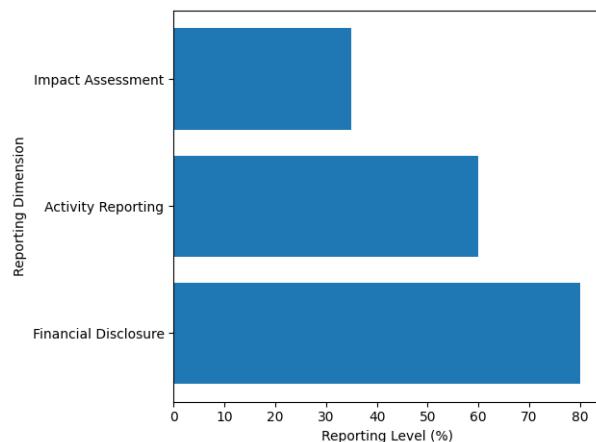
Table 6. Impact vs Compliance Indicators (Corporate CSR Projects)

| Indicator                             | Compliance Focus (%) | Impact Focus (%) |
|---------------------------------------|----------------------|------------------|
| Expenditure meeting statutory minimum | 85                   | 15               |
| Long-term multi-year projects         | 20                   | 80               |
| Strategic NGO partnerships            | 30                   | 70               |

The above table 6 (data) indicates that a good majority of CSR activities are still geared towards the need to meet legal requirements instead of focusing on the effective social impact. This compliance bias defeats the normative role of CSR and constrains the role it can play in sustainable development.

### 5.2 The lack of transparency and accountability

The other notable challenge would be a lack of transparency and accountability in CSR reporting and execution. Although the CSR activities are subject to mandatory reporting, the quality and granularity of the disclosures are still inconsistent, and it is hard to determine whether the CSR programmes have an impact and are effective or not (PMFIAS, 2025). Absence of detailed disclosures: It includes not providing metrics of impact, or a third-party evaluation, and this invalidates the capacity of regulatory bodies, civil society and beneficiaries to gauge whether CSR expenditure generates quantifiable social value.



**Figure 7. Impact Assessment Levels and Transparency.**

Representative of a horizontal bar chart that will demonstrate the levels of transparency by category of CSR reporting (financials, activities, impact).

More than that, inefficiency in transparency may result in poor distribution or shallow implementation of CSR funds. It has even been reported that some of the CSR funds have been diverted by shell NGOs instead of being used to perform actual social activities, and this has shown flaws in the checks and balances associated with governance (Times of India, 2025).

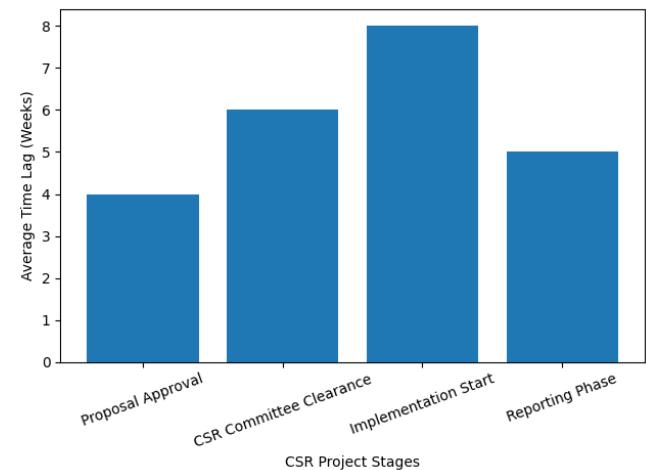
**Table 7. CSR Transparency and Reporting Challenges**

| Reporting Element               | Observed Deficit (%) |
|---------------------------------|----------------------|
| Impact Evaluation Data          | 65                   |
| Third-party Monitoring          | 55                   |
| Beneficiary Feedback Mechanisms | 70                   |

The deficits in Table 7 demonstrate the continuing failures in transparency of CSR reporting, and to this end it is clear that there is need to enhance the quality of reporting and accountability structures to ensure that the statutory requirements generate substantive results as opposed to the ceremonial fulfilment.

### 5.3 Administrative and Bureaucratic Delays

The additional barriers to timely and effective CSR interventions are implementation delays due to administrative procedures and the overhead associated with bureaucracy. CSR programmes usually involve multi-level approvals, board committee management, reporting to regulatory portals, and auditing which may slow down the process of initiation and execution of certain projects especially to the small firms with little administrative capacity. These delays not only increase the project roll-out time but may also cause CSR budgets to go to waste at the end of the fiscal year, instead of investing in timely social impact, expenditures may go on final year compliance adjustments.



**Figure 8. Average Time Lags in CSR Project Execution**

**Table 8. Administrative Delay Factors and Effects**

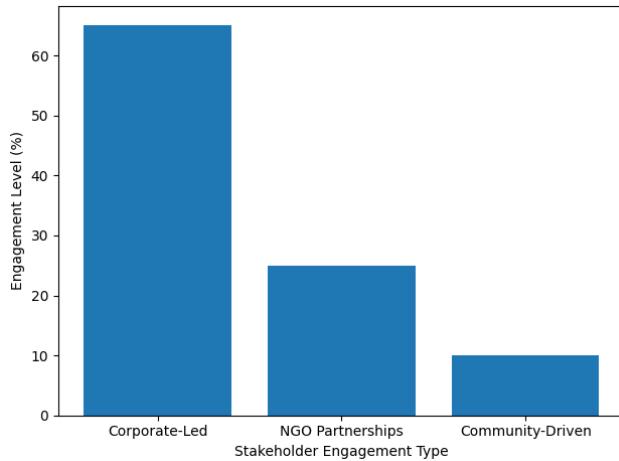
| Factor                       | Effect on Implementation    |
|------------------------------|-----------------------------|
| CSR Committee Approvals      | Project initiation lag      |
| Audit & Compliance Reporting | Higher administrative costs |
| Board Scheduling Constraints | Delayed fund disbursement   |

These administrative bottlenecks highlight the point of need to have lean governance processes, improved planning instruments and capacity building in corp CSR functions to improve responsiveness and agility in interventions.

### 5.4 Stakeholder Engagement and Capacity of NGOs

The process of proper CSR execution involves stakeholder involvement, joint partnerships, in particular

with non-governmental organisations (NGOs) and community organisations that would have local expertise on knowledge and implementation. Nevertheless, there is a lot of corporations which struggle to find reliable partners, reconcile common goals, and form long-term relationships. Poor NGO capacity such as meager organisational capabilities, administrative wastes, and the difficulty of reporting impacts also contribute to partnership relations, decreasing the quality of CSR interventions (Drishti IAS, 2024).



**Figure 9. Level of stakeholder engagement in CSR Projects.**

Sample of a stacked column chart that shows the degree to which the corporation engages with the non-governmental organizations.

**Table 9. CSR Stakeholder Collaboration Indicators**

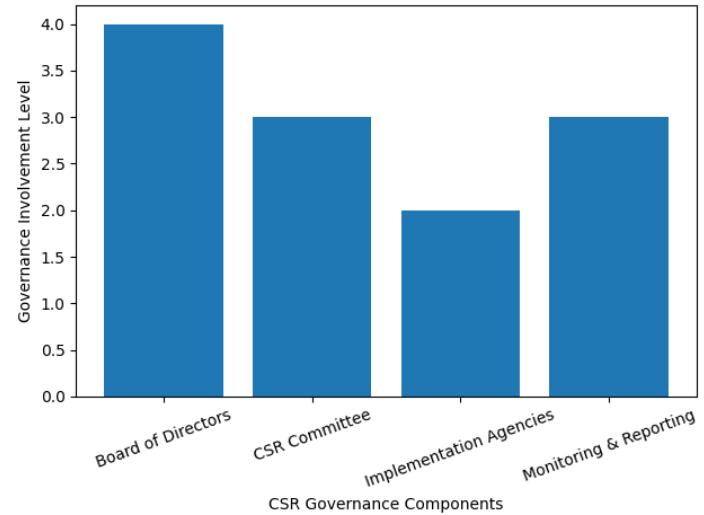
| Indicator                        | Observed Level (%) |
|----------------------------------|--------------------|
| Formal Partnership Agreements    | 40                 |
| Multi-Year Collaboration         | 25                 |
| Community Consultation Practices | 35                 |

Table 9 indicates that formal collaborative practices are still restrained, which implies that CSR activities are not frequently accompanied by close interaction with local communities and institutional partners. This kind of involvement is essential not only to project design and implementation, but also to the sustainability and social acceptability of CSR activities.

#### 5.5 Challenges of Monitoring, Evaluation, and Impact Measures

Another difficulty is the absence of effective monitoring and evaluation (M&E) systems to determine the social impact of the CSR activities. Corporate reporting pays attention more to financial compliance and description of activities, but hard attention is paid to systematic M&E models that would connect CSR expenditures to social deliverables like better education, health indices,

sustainable livelihoods. In the absence of regular impact assessment criteria, a company cannot show whether CSR programs have attained the desired goals or provided quantifiable services to the targeted communities.



**Figure 10. CSR Monitoring and Evaluation Coverage.**

**Table 10. Monitoring and Evaluation Challenges in CSR Execution**

| Challenge                   | Impact on CSR Outcomes          |
|-----------------------------|---------------------------------|
| Lack of Standard Indicators | Inconsistent reporting          |
| Absence of External Audits  | Questionable reliability        |
| Short Project Timelines     | Limited longitudinal assessment |

The problems listed in Table 10 can also be regarded as representative of the systemic problems in which CSR is approached as a one-off exercise instead of being incorporated into outcome-oriented strategic models like Sustainable Development Goals (SDGs) or other quantifiable national socio-economic indicators.

## 6. DISCUSSION

This discussion unites the main analytical results of Section 4 and 5 regarding the CSR obligations under the contemporary corporate law based on the interdependence between the statutory obligation, the corporate governance norms, the compliance behavioural patterns, the enforcement measures, and the social consequences. Combining legal interpretation and data-driven insights, this part proves the changing status of CSR as a rule of law and practice of governance, as well as considering the consequences of the statutory frameworks to corporate responsibility and sustainable development.

One of the major aspects in this paper is that CSR is no longer seen as a voluntary and a philanthropic activity but rather as a legal requirement in many jurisdictions, particularly in India whereby in Section 135 of the

Companies Act, 2013, CSR requirements are implicated in the law and even in the corporate governance systems. The new CSR requirement in India obliges some firms to dedicate a set percentage of their profits to CSR activities - a groundbreaking statutory practice in the world, and an overt abandonment of discretionary CSR (Regions et al., 2025; Ministry of Corporate Affairs India).

Section 4 is supported by empirical evidence that indicates that aggregate CSR expenditure and activity in projects have increased significantly over mandated firms, which is a positive indicator that statutory mandates have contributed to increment in corporate involvement in social activities. Increasing the amount of CSR spending and the number of projects is an indication of the success of legal compulsion in influencing corporate behaviour, at any rate at the macro-level. The positive spirals of increase in the CSR investment give evidence to the increased corporate sensitivity to the legal requirements that are backed up by comparative literature showing the consistency of formal legal frameworks to influence CSR engagement as compared to voluntary models (Gupta and Sharma, 2025).

Nonetheless, the data also signifies the same heterogeneity in the compliance quality and effectiveness, which contains gaps between the formal compliance and the real social impact. Section 5 characterized the high number of companies that concentrate on the procedural checkbox of compliance with the statutory 2 per cent expenditure requirement instead of incorporating CSR into strategic governance and into planning outcome-oriented. This compliance-based CSR demonstrates that obligatory structures may sometimes play an inadvertent role in encouraging minimal compliance behaviour, instead of the radical social practices. These findings resonate with legal literature critiques that legal requirements, as inevitable as they are to be universal, may not be sufficient to drive actual social impact unless they are accompanied by additional enforcement and accountability mechanisms.

The second important lesson is that transparency and accountability are fundamental issues in the implementation of CSR. Even though companies are obliged to report on the CSR activities, the inconsistency in reporting quality, the absence of standardised impact metrics, and poor engagement mechanisms with stakeholders dilute the role of the regulators and the civil society to determine whether the CSR funds are realising the desired developmental results. This finding cannot be disputed by academic discussions suggesting that CSR needs to be legally recognized but with strong institutional assumptions that can oversee and conduct independent reviews and disclose information to create a disjunction between social legitimacy and legal compliance.

Regulatory enforcement mechanisms are coming out as an important player in CSR compliance cultures. Although mandatory CSR laws have set clear amounts of spending and governance requirements, enforcement activities are also not consistent across jurisdictions and legal penalties against non-enforcement of CSR have traditionally been less intense than other aspects of corporate regulation. To illustrate, legal mechanisms such as fines against breach

of CSR reporting requirements are usually sought under the general corporate law, but not special CSR enforcement laws. The legislative history is such that the changes to the company law have decriminalised some of the CSR violations and minimised the punitive effects, and placed the focus still more on contributing to the facilitation of the compliance, but not on its enforcement. This legislative change implies that there should be equalizing implementation systems that facilitate compliance and maintain the flexibility of corporations.

Jurisdiction models of CSR obligations differ greatly when looked at through the comparative perspective. In India, CSR responsibilities are formally defined with the amount of spending defined; in the UK and most other developed jurisdiction there is a principles based approach to compliance, which focuses on disclosure and integrating ESG (Environmental, Social, Governance) rather than on defining a minimum amount of spending. Comparative study points out that model based on principle is more likely to be grounded in investor pressure and reputational incentive to promote the efforts of CSR, compared to the Indian mandate which is grounded in statutory compulsion to attain minimum participation. The models have varying corporate governance philosophies, institutional settings, and stakeholder expectations. Although the mandatory regimes are those that guarantee extensive participation, the principle-based regimes are those that seek the flexibility and innovation; both styles have advantages and limitations in regards to their ability to create meaningful social outcomes.

Another aspect to be considered in the context of this discussion is associated with the interface of CSR law and wider sustainable development goals (SDGs). The legal requirements can be used to make corporate contributions emphasize national and global development priorities, particularly in education, healthcare, environmental protection, and gender equality, which are often listed in the statutory CSR schedules. Nonetheless, unless incorporating integrative planning frameworks that align corporate responsibilities to SDG targets by using quantifiable indicators, CSR interventions will continue to be isolated actions with little long-term effects. According to academic writing, CSR should be re-institutionalised in a way that it would maximise the benefit to the society and ensure that it is not just a matter of compliance on expenditure but rather a matter of strategic alignment between the objectives of development and systemic change in the society.

Equity and sustainability are also questioned by the changing nature of the CSR law. The imposed costs of CSR spending bring diverse challenges to firms of different dimensions and types of industries and smaller and resource starved firms find it difficult to commit the mandated funds without impacting on their sustainability in operations. Contextualised CSR frameworks to interpret the varying abilities of firms and still retain core social responsibilities are being advocated in some of the legal commentaries. There is also stakeholder engagement (such as collaboration with NGOs and local organisations) as the facility necessary to deliver CSR, but in practice

coordination issues and capacity deficits can undermine such collaborative activities.

Overall, the analysis demonstrates that although the imposition of CSR has had a significant effect on the corporate involvement in socially positive actions, to attain a real development effect, it is necessary to consider the root-cause implementation, accountability, and governance issues. Laws are a platform which can be used as a base, yet the effectiveness in the long-term premises on transparency, the focus of reporting, the involvement of various stakeholders and dynamic regulatory controls. Best CSR governance ought to be therefore viewed as a multi-layered legal, regulatory, and governance ecosystem - not a statutory compliance requirement.

## 7. POLICY RECOMMENDATIONS

The above discussions have demonstrated that although statutory CSR requirements as envisaged in the current corporate law (in particular, Section 135 of the Companies Act, 2013 in India) have been effective in institutionalising the concept of corporate social responsibility, there are still big gaps in the actualisation of meaningful and quantifiable social effects. In order to close these gaps, the following recommendations are designed to: increase clarity in law, enhance governance and accountability, and align CSR with more comprehensive developmental priorities, incentivize high impact programmes, enhance stakeholder engagement, and incorporate effective monitoring and evaluation systems.

### 7.1. Enhance Legal Certainty and Enforcement

One of the main problems of CSR implementation is the lack of clarity of legal recommendations to follow in the implementation, as well as the punishment of non-observance. Section 135 explicitly requires both a 2 per cent CSR expenditure and the formation of a CSR committee, but does not specify statutory sanctions and enforcement procedures, which may soften regulatory disinhibition and lower compliance standards (India Briefing, 2025). Legal predictability and corporate accountability can be improved by formalising more precise enforcement mechanisms, such as tiered penalties, which are associated with levels of non-compliance. In addition, the regulators, including the Ministry of Corporate Affairs and the Registrar of Companies (RoC) must introduce elaborate compliance directives that limit specks of interpretations of the law and that apply the law universally across industries and regions.

#### Recommendation 1:

Legislature and regulatory bodies ought to provide specific enforcement measures in the CSR laws, such as, progressive fines in case of failure to spend, inappropriate reporting, or misreporting of CSR activities.

#### Recommendation 2:

The regulators need to issue official interpretative directions covering the CSR compliance standards, timeframes and reporting processes to minimise uncertainty and limit the expenses of compliance to the firms.

Such steps will clarify the level of law not only but will enable the regulators to have a greater leverage to punish the non-compliance thus improving the quality of CSR implementation.

### 7.2 Incorporate CSR with Strategic Development Goals

CSR needs to be more in line with the national development priorities like Sustainable Development Goals (SDGs) and local socio-economic requirements. Despite the fact that statutory CSR activities are informed by Schedule VII, Companies Act, the list is still wide and is not at times linked to quantifiable national goals like poverty eradication, educational achievement, and climate change. The national SDG targets can also be aligned with CSR frameworks, such as the alignment of CSR programmes to those indicators which are officially recognised, such as the National Indicator Framework, to make sure that corporate contributions will facilitate national strategies.

#### Recommendation 3:

The government and policymakers must align the CSR models with nation-level SDG targets and priority development benchmarks so that alignment of corporate programs with quantifiable outcomes of development can be achieved.

#### Recommendation 4:

States and local governments can make developmental areas of focus (e.g., skills development, public health, water security) that will be published annually and used by corporate CSR spending in a strategic approach toward filling gaps in the region. Such strategies enable CSR expenditure to be more sensitive towards real needs of the community and developmental priorities.

### 7.3 Reward High Impact CSR Initiatives on top of Base Compliance

CSR statutory requirements tend to drive a culture of compliance where firms do not do much beyond the minimum statutory requirements but make investments in high impact/innovative projects. Policymakers, in a bid to motivate more involvement, ought to come up with incentive systems to reward high-impact CSR initiatives through tax incentives, co-funding programs and recognition awards.

#### Recommendation 5:

Provide tax credits or tax breaks on spending on CSR that has been proved to exceed the minimums in the statute and has a quantifiable impact on social benefits (e.g. higher school attendance rates, community health).

#### Recommendation 6:

Create competitive grant programs, with corporations financing with government or development agencies scalable social interventions, including digital literacy, adoption of renewable energy, or skills training of MSMEs- in which case they will share responsibility and increase their effect.

These kinds of incentive systems would not only complement the law, but it would also reward innovation and corporate leadership in social development.

#### 7.4 Reinforcement of Monitoring, Evaluation and Reporting Standards

The absence of strong monitoring, evaluation, and impact measurement schemes of the CSR projects is one of the most enduring challenges that have been identified in Section 5. Lack of consistency in disclosure and the absence of clearly defined impact measures lower the level of transparency and it becomes hard to determine whether CSR activities become effective in desired ways. Accountability and transparency will be enhanced by establishing standardised performance indicators, independent evaluations requirements and third party audits.

##### Recommendation 7:

Require standardised formats of CSR reporting, containing clear impact metrics, benchmark clear outcomes, and independent evaluation reports. These standards should be issued by regulators with reference to the corporate governance bodies and development experts.

##### Recommendation 8:

Mandate external third-party reviews and validation of CSR project outcomes, particularly in high value or multi-year projects as is the case with external audits of financial reporting. This will add credibility, and the stakeholders will know when the compliance is shallow and when it makes a significant difference.

Enhanced monitoring and evaluation will enable the stakeholders such as regulators, civil society organisations and investors to hold companies to be responsible in the outcomes of CSR as opposed to compliance activities.

#### 7.5 Improve Stakeholder Interaction and Multi-Sector Collaborations

The successful implementation of CSR is based on cooperating with the local communities, the NGOs, the academic institutions, and the government agencies. The existing CSR practices are also not very consultative of stakeholders and this has led to the misalignment of the programmes in relation to the needs of the community. These partnerships need to be strengthened to make them relevant and effective.

##### Recommendation 9:

The Govern CSR frameworks to insist that formal stakeholder consultation processes, including the representatives of local communities and civil society organisations, should be implemented during the planning and design of CSR programmes.

##### Recommendation 10:

Encourage multi-sector CSR alliances in which companies develop programmes together with NGOs, local authorities and state agencies to harness synergy, minimize overlaps and guarantee established programmes.

This kind of involvement would transform CSR into more than a one-sided corporate activity and place it in the agenda of community-led development as well as create more social legitimacy.

#### 7.6 Develop Corporate Capacity/ Governance Expertise

Even legal requirements will not lead to effective CSR in cases where corporate governance arrangements do not have the skills and capability to develop, execute, and assess CSR initiatives. Members of board and CSR committees have been found to be unfamiliar with expertise in sustainable development, stakeholder participation or impact assessment.

##### Recommendation 11:

Director and CSR committee Mandate capacity building, including training on CSR strategy, legal compliance, risk management and impact measurement.

##### Recommendation 12:

The companies should be encouraged to hire CSR specialists or sustainability officers with expertise in the field so that the governance of CSR is aligned with strategic business planning and not as a non-substantial reporting process.

Internal governance will aid in strategic planning in CSR and increase the chances of the projects producing quantifiable social impacts instead of just complying with report requirements.

### 8. CONCLUSION

This study examined Corporate Social Responsibility (CSR) as a legal obligation under the contemporary corporate law with specific reference made to the legal framework of the statutes under Section 135 of the Indian Companies Act, 2013, and locating these requirements in the wider international context of corporate responsibility and social responsibility. The paper has examined the development of CSR as a voluntary ethical obligation, to a mandatory obligation as required by law, considered the trends in the compliance and the implementation issues, and provide some policy suggestions as a way of consolidating and enhancing the efficacy CSR obligations in delivering significant social benefits.

One of the key findings of this study is that the introduction of statutory CSR obligations has significantly boosted the involvement of companies in social development activities especially in such countries as India where the law compels eligible companies to allocate at least 2 per cent of average net profits to CSR activities (Wikipedia, 2025). This statutory acknowledgment is a shift in regards to the old-fashioned visions of CSR as a discretionary or charity-driven concept, integrating social responsibility in corporate governance and compliance frameworks. The incorporation into corporate law has also helped to bring about a high aggregate growth in CSR spending and growth in CSR initiatives within the sectors like education, healthcare, and rural development, which shows that legal coercion acts as a powerful tool in stimulating minimum corporate involvement in social causes.

Nevertheless, this research found that there are some long-standing gaps in the implementation and conversion of CSR obligations into material impact. Although nominal compliance rates are high, i.e. most of the companies meet the statutory spend requirements, the difference between

compliance and social impact is still significant. There are those corporations that take a compliance-based approach that is oriented to legal minimum standards instead of attempting to develop strategic and outcome-oriented CSR initiatives in line with community needs and sustainable development priorities. This effect is indicative of wider criticisms, which assert that even though statutory frameworks on CSR further inclusion can boost involvement, it can instead lead to minimal compliance, instead of intense engagement in social matters.

The analysis also revealed that substantive accountability is usually driven out by technical compliance and reporting mechanisms. Though firms report CSR practices as mandated, the quality and transparency of such reporting is largely inconsistent and the fact that there is no standardised measures of impact minimises the capacity of stakeholders to monitor and evaluate actual social performance. Uneven practices of reporting and insufficient monitoring mechanisms weaken the ability of regulators, civil society, and communities to be able to hold corporations accountable in terms of effectiveness and relevance of their CSR activities. Such predicaments explain why a greater amount of transparency and more stringent evaluation models that transcends the financial compliance is necessary in order to gauge social performances.

The other valuable lesson of this research is connected to the enforcement environment of the responsibility of CSR. The legal framework provides conditions of CSR expenditure and board of directors governance arrangements as board-level CSR committees, but the enforcement has been defined by procedural measures and penalties that are not necessarily in line with non-conformity. On this point, as the cases of CSR rule violations by companies under the official response the evidence shows that regulators have imposed penalties on companies on the basis of general corporate law rules, although the enforcement regime does not provide a consistent deterrence to superficial compliance practices. In addition, legislative changes have sometimes softened the blows on punitive sanctions against CSR violations, an indication that the regulatory authorities favour facilitative compliance to coercive enforcement.

The comparative analysis in this paper has revealed that different jurisdictions have different approaches to the CSR obligations. Statutory requirements on CSR expenditure are uncommon in the rest of the world and one of the most eminent cases of statutory CSR is in India. In most western jurisdictions, including the United Kingdom or the European Union, CSR requirements are incorporated into more wide-ranging ESG (Environmental, Social and Governance) disclosure regimes and codes of principle-related corporate governance that focus on flexibility and market-oriented

accountability, as opposed to predetermined expenditure levels. Both paradigms represent unique legal ideologies and institutional settings as mandatory regimes are a guarantee of minimum participation, and principle regimes are guided by investor expectations and reputation to motivate CSR services.

The combination of CSR with more general developmental instruments like the Sustainable Development Goals (SDGs) also became a major subject. Where the statutory CSR requirements are aligned with the national and global development priorities, the corporate contribution can be more relevant and effective, where the legal provisions and corporate strategies are to promote measurable results on the major development indicators like education, health, gender equality and environmental sustainability. Enhancing the match between CSR legal requirements and SDG goals might serve to change the corporate behaviour towards compliance-based operations instead of strategic inputs aimed at systemic problems in society.

Nonetheless, the study found that the CSR responsibilities in the contemporary corporate law continues to be entrenched in the wider governance, institutional, and social economy, to influence the ability of corporations to build any meaningful change socially. The smaller companies with small resources, NGOs with different operational capacity, and multi-stakeholder coordination issues all contribute to the actualisation of CSR obligations in practice. These structural barriers have to be dealt with through multi-sectoral and cross sectoral engagement that involves holistic policy measures, which combines legal requirements with capacity building, multi-sectoral and multi sectoral/ multi sectoral partnerships.

To sum up, the concept of Corporate Social Responsibility as a legal imperative can serve as a remarkable adaptation of the corporate governance where corporations are obliged to address and implement their social responsibilities in a well-organized legal system. Although the statutory requirement like under Section 135 of the Companies Act, 2013 have increased the level of participation in CSR and institutionalised the corporate interaction with the social development goal, it is the quality of implementation, reporting transparency, rigour on enforcement and alignment with strategic developmental goals that determine the ultimate effectiveness of the CSR law. To shift CSR into a sustainable impact delivery mechanism, rather than a compliance practice, the ongoing refinement of the law, governance practices and cooperation between corporations, regulators, civil society, and communities will be needed to make sure that the CSR requirements are playing their part in the sustainable and fair social development..

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